EXHIBIT 13

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January 16, 2008

Honorable Susan E. Dudley
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, DC 20503

RE: ICR 0651-0031

Dear Administrator Dudley,

On September 26, 2007, the U.S. Patent and Trademark Office (PTO) submitted ICR 0651-0031 to the Office of Management and Budget (OMB) for review, as required by the Paperwork Reduction Act (PRA) and OMB's Information Collection Rule. Since then, I have provided limited comments to OMB suggesting that just one economically significant regulatory action intended by PTO,[1] and covered by this ICR, is likely to result in several billion dollars per year in new paperwork burdens.[2] In addition, I have met with your staff to discuss these and other paperwork burdens associated with one recently promulgated[3] and a pair of recently proposed economically significant rules[4] that PTO did not submit to OMB for review, all of which are covered by this ICR. I have responded via e-mail to requests for more information and clarification. OMB has extended its review of the ICR several times, but there is no public evidence that PTO has

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1 "Changes To Information Disclosure Statement Requirements and Other Related Matters," 71 Fed. Reg. 38808. OMB recently reviewed the draft final rule under Executive Order 12,866, but it has not been promulgated. We estimate paperwork burdens of the proposed rule at $2.6 billion per year. PTO deemed this proposed rule "not significant" under Executive Order 12,866.

2 See "Cost of Complying with the Proposed IDS Rule," October 18, 2007, at http://www.whitehouse.gov/omb/oira/0651/meetings/663.pdf.

3 "Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications", 72 Fed. Reg. 46835 (August 21, 2007). We estimate paperwork burdens for this regulation range from $12.5 billion to $24.5 billion per year. PTO deemed each rule "significant" under EO 12.866.

4 See "Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals," 72 Fed. Reg. 41472 (July 30, 2007); "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (August 10, 2007). We estimate paperwork burdens for the first of these proposed rules range from $820 million to $860 million per year, but have not yet been able to estimate burdens for the second proposed rule. PTO deemed both rules "not significant" under EO 12.866.

resolved these questions so that burden estimates can be finalized that adhere to both OMB's Information Collection Rule and OMB's Information Quality Guidelines.[5]

With the assistance of experts in patent prosecution, I have prepared an extensive review of the paperwork burdens in ICR 0651-0031. In this letter, I want to summarize the results of this review. These results are illustrated graphically on page 3 of this letter; the complete review document is enclosed.

We estimate that PTO's recent and anticipated regulatory actions will result in between 45 million and 73 million new burden-hours. These burdens translate into 26,000 to 40,000 full-time equivalent work-years (2,000 hours per year). There are approximately 15,000 attorneys and agents licensed to practice before PTO. If every one of them were occupied full-time fulfilling these new paperwork burdens, it would require between 87% and 133% of their available time. The actual prosecution of patents to protect economically vital innovations and inventions could grind to a halt.

Patent attorneys and agents are scarce because patent prosecution is a highly specialized activity requiring both legal and technical education, and there are no substitutes. This training takes years, so their supply grows slowly. For these reasons, they are also expensive. Average billing rates for 2008 are expected to exceed $350 per hour. The total cost to the U.S, economy just from these additional paperwork burden is estimated to range from $13 billion to $34 billion per year. For perspective, note that the total paperwork budget for the Department of Commerce – PTO's parent – is $1.7 billion.[6]

The estimates of paperwork burden provided by PTO in its Supporting Statement are, in almost every instance, unsupported by any publicly disclosed data, models, or any other factual basis, even though the Office claims to adhere to applicable information quality guidelines. Indeed, as we show in our review, PTO also has failed to provide adequate opportunity for public participation in the development of its paperwork burden estimates. (Despite PTO's legal responsibility to consult, and its claim in the Supporting Statement to have done so, it has become clear during this review that knowledge about the Paperwork Reduction Act is quite limited in the patent prosecution community.)

Whereas PTO has provided no support at all for its burden estimates, in our review we have explained – sometimes in pedantic detail – the basis for our alternative estimates. Our estimates are transparent and reproducible, but PTO's figures are not. Our

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[5] The Information Collection Rule requires PTO to develop and disseminate "an objectively supported estimate of burden"; see 5 C.F.R. § 1320.9(a)(4). OMB's Information Quality Guidelines require that agencies disseminate information that is ""accurate, reliable, and unbiased," or "presented in an accurate, clear, complete, and unbiased manner"; see 67 Fed. Reg. 8452.

[6] Information Collection Budget: FY 2006, Table 4. Commerce reported a 27% increase in department-wide burden in FY 2006 due to non-statutory program changes (Table 1). USPTO is responsible for most of this increase.

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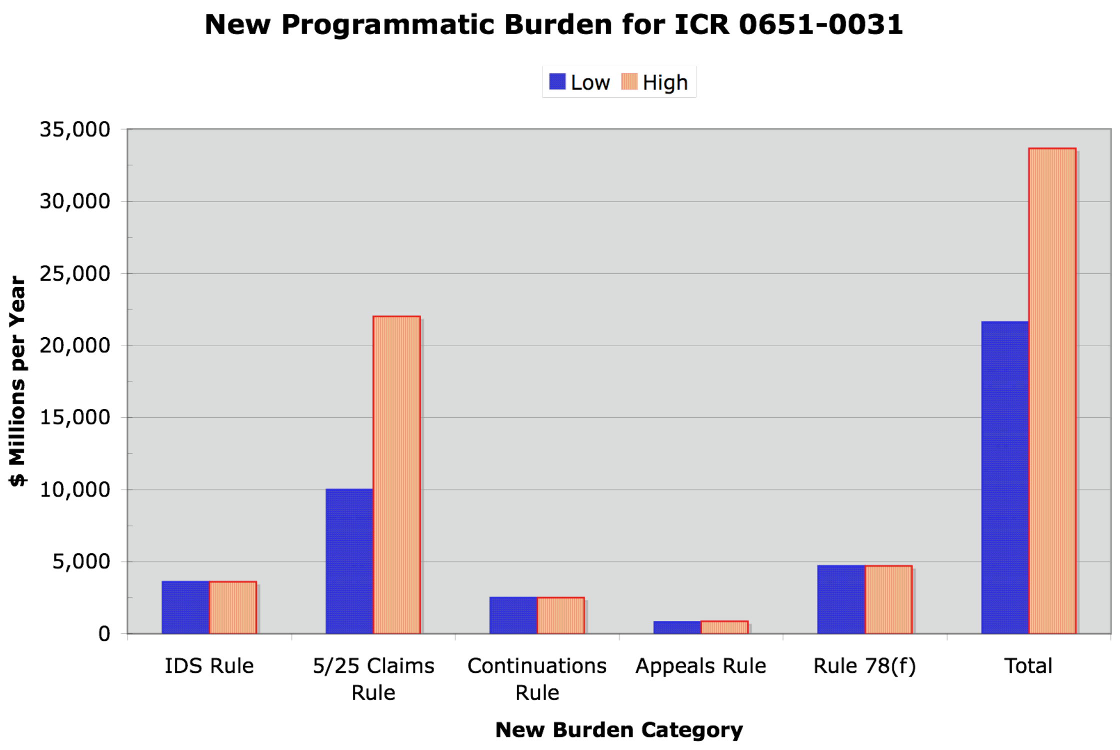
New Programmatic Burden for ICR 0651-0031
Low
High
$ Millions per Year
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
IDS Rule
5/25 Claims Rule
Continuations Rule
Appeals Rule
Rule 78(f)
Total
New Burden Category

estimates adhere to the requirements of OMB's Information Collection Rule and Information Quality Guidelines, but PTO's do not.

Valid and reliable paperwork burden estimates are essential for the public to be able to understand the consequences of government actions, especially regulatory decisions. The burden estimates provided herein are new, but PTO has had our earlier submission for three months but chosen not to respond. Instead of issuing yet another short-term extension that appears highly unlikely to advance the process toward a conclusion, OMB should approve this ICR now for one year while booking the burden estimates we have derived for 2008. This would provide an excellent incentive for PTO to develop a new and properly documented ICR for 2009 and beyond. PTO should be directed to collaborate with experts in patent prosecution who, unlike PTO staff, have actual real-world experience performing these tasks.

Sincerely,

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Enclosure (1)

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U.S. Patent and Trademark Office

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Submitted to OMB September 26, 2007

Alternative Burden Estimates
Revised January 17, 2008

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January 17, 2008

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A. Love, J. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule: Transitional practice for restriction requirements from October 14, 2007 until November 10. 2007." Memorandum to Center Directors (October 11, 2007); Focarino, MA. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule." Memorandum to Patent Examining Corps (October 11, 2007).

B. Katznelson, RD. 2007. "Defects in the economic impact analysis provided by the USPTO for its new claims and continuation rules."

C. USPTO Internal Memos.

SUMMARY OF NEW BURDENS

Several items from the final Continuations and 5/25 Claims Rules, the proposed (draft final) IDS Rule, and the proposed Appeal Rule have burdens that exceed $1 billion. We have not yet attempted to derive burden estimates for the proposed Markush Practice Rule. We summarize in **Error! Reference source not found.** only those new burden elements with costs exceeding $100 million. They entail 85 million burden hours and $25 billion in aggregate costs. There are approximately 15,000 patent attorneys and agents in the U.S. with 30 million theoretically billable hours per year; these new items alone consume more then two times the entire U.S. capacity of requisite private sector expertise.

Table 1: Major New Programmatic Burdens Not Accounted for in ICR

Rulemaking	ICR Supporting Statement Table 3, Row No.	Burden Hours (2 significant figures)	FTE Patent Counsel/Agent Person-Years (2,000 hours/year)	Total Cost of New Burden (2 significant figures)
IDS Rule [2008 only]	3 4 5 6 Omitted	6.5 million 3.0 million 0.12 million 0.030 million 0.23 million	3,300. 1,500. 60. 20. 120.	$2,400 million $1,100 million $35 million $9 million $85 million
	Subtotal	***9.9 million***	***8,300.***	***$3,600 million***
5/25 Claims Rule (i)	9 48-49 [element 1] 48-49 [element 2] 48-49 [element 3] 48-49 [element 4] 48-49 [element 6]	2.9 million NA 1.7 – 4.9 million 7.0 – 31 million 3.4 – 4.5 million 1.7 – 2.1 million	1,500. NA 850. – 2,400. 3,500. – 15,000. 1,700. – 2,300. 850. – 1,100.	$980 million $4,100 million $610 -- $2,400 million $2,600 -- $12,000 million $1.300 – 1,700 million $620 – 780 million
	Subtotal	***17 – 45 million***	***8,400. – 23,000.***	***$10,000 – 22,000 million***
Continuations Rule	44 Omitted from ICR	0.6 million 2.9 million	300. 1,500.	$220 million $2,300 million
	Subtotal	***3.5 million***	***1,800.***	***$2,500 million***
Appeals Rule	2008 duplicative burden appeal briefs	0.10 – 0.17 million	50. – 85.	$27 -- $62 million
	2008 duplicative burden reply briefs	0.032 – 0.05 million	16. – 27.	$12 – $19 million
	Omitted appeal brief burdens Omitted reply brief burdens	1.2 million 0.50 million	600. 250.	$600 million $180 million
	Subtotal	***1.8 – 1.9 million***	***920. – 960.***	***$820 – 860 million***
Rebutting Presumption that Claims Are Patently Indistinct	Omitted from ICR	12 million	6,000.	$4,400 million
	Subtotal	***12 million***	***6,000.***	***$4,400 million***
Totals		**44 – 72 million**	**26,000. – 40,000.**	**$13,000 – 34,000 million**

Notes:

(i) Range of estimates from Alternatives #1 and #2.

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Supporting Statement Generally:
PTO's BURDEN ESTIMATES ARE FUNDAMENTALLY FLAWED AND/OR UNSUPPORTED BY EVIDENCE

The Supporting Statement § 15 identifies certain regulatory actions that are included in the estimates. Most pertinently, this list includes the February 2006 ICR change accounting for the proposed Limits on Continuations Rule and Limits on Claims Rule, and the July 2006 proposed IDS Rule. It does not include the July 2007 proposed Appeals Rule, changes due to the August 2007 final combined Continuations/5-25 Claims Rule, or the August 2007 proposed Markush Practice Rule. Thus, the Supporting Statement is seriously outdated.

Hourly Rates. For patent attorneys, the Supporting Statement uses hourly wage figures obtained from the 2005 edition of a biennial survey conducted by the American Intellectual Property Law Association (AIPLA).[1] PTO is entitled, and should be encouraged, to rely on valid and reliable estimates produced by third parties. However, PTO the 2005 edition of the survey contains data from 2004, which is 4-7 years out of date given the 2008-2010 period for the ICR. At a minimum, PTO should start with the 2007 edition of the survey,[2] which contains data from 2005. Clearly, if this survey is to be relied upon the later edition should be preferred. A figure of $90 per hour is used for paralegals, but its source is not disclosed.[3]

Although the AIPLA survey appears to provide the best available data, there are important limitations on its utility for burden estimation purposes. AIPLA reports that its 2007 survey (actually a census) yielded a 75% improvement from the 2005 edition in response rate, to 2,733 responses out of 14,132 AIPLA members and non-members to whom the instrument was delivered by web-based email connect (19%). The sample (i.e., census) used in 2005 is not reported, but if it is the same as the 2007 sample (i.e., census), the response rate for 2005 was about 13%. We reserve for a later discussion the question whether the AIPLA survey yielded representative data or used appropriate statistical methods. Both response rates are well below the 70% figure generally expected under OMB statistical policy guidelines for surveys conducted or sponsored by an agency, and OMB would not have approved it. It is PTO's responsibility under OMB's and its own information quality guidelines to demonstrate that the information it disseminates and relies upon for influential purposes satisfies information quality standards.

We use the following hourly rates from AIPLA (2007):

- Patent Attorney (mean): $332 in 2006, increasing at 5% per year (2008: $366; 2009: $384; 2010: $404)[4]
- Partner (mean): $390 in 2006, increasing at 5% per year (2008: $430; 2009: $451; 2010: $474)[5]

AIPLA (2007) does not include hourly rates for paralegals. We use fully-loaded 2007 billing rates described as "typical" obtained from New York- and Washington DC-based law firms specializing in IP:

- Paralegal $150 in 2007, increasing at 5% per year (2008: $158; 2009: $165; 2010: $174)

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[1] AIPLA, Report of the Economic Survey, 2005 (at I-6). Available from the American Intellectual Property Law Association, www.aipla.org.
[2] AIPLA, Report of the Economic Survey, 2007. Available from the American Intellectual Property Law Association, www.aipla.org.
[3] "The paraprofessional rate is $90 per hour." See Supporting Statement at 13.
[4] AIPLA (2007) at I-5. Average billed hours = 1,655.
[5] AIPLA (2007) at I-5. Average billed hours = 1,800.

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Estimates of Burden Hours per Response and Numbers of Respondents. Except for the hourly rate for attorneys (see above), § 12 of the Supporting Statement does not report how PTO obtained any of its estimates. Thus, we cannot reproduce PTO's figures. Because of this lack of minimal transparency, OMB should presume that PTO's burden estimates do not adhere to applicable information quality standards issued by OMB and PTO in 2002.[6]

Alternative Estimates of Burden. We provide alternative burden estimates beginning on page 20 and explain how we derived them. Burden estimates consist of two parts: (a) the average number of hours required to fulfill the set of tasks identified by the item; and (b) the number of responses per year that PTO should expect to receive. We obtained estimates of unit burden from experienced patent attorneys and agents who actually perform tasks identical or closely analogous to those described in Table 3 of the Supporting Statement. We expressly instructed them to provide *unbiased* estimates (i.e., estimates equally likely to under- or overstate the true value). We generally found that PTO's burden estimates for longstanding tasks to be reasonable. PTO's errors are largely (but not exclusively) confined to matters related to the final Continuations Rule and 5/25 Claims Rule, the proposed (and draft final) IDS Rule, and the proposed Appeals Rule. We have not yet attempted to estimate paperwork burden for the proposed Markush Practice Rule.[7]

Greater discrepancies were noted with respect to the number of responses PTO should expect to receive, and PTO's estimates in several critical places are especially problematic. As indicated above, PTO does not disclose the basis for any of its estimates. For the burdens added by the new rules, PTO's estimates do not comport with the requirements of the proposed and final rules.

We generally use the following assumptions:

- Retroactive Effects: The final 5/25 Claims Rule is retroactive.[8] There were approximately 761,000 applications in PTO's backlog at the end of FY 2007, a 9% average annual increase since FY 2001.[9] Based on PTO estimates,[10] approximately 30% are affected under the 5/25 Claims Rule, with smaller percentages under

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[6] OMB, "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies; Notice; Republication," 67 Fed. Reg. 8452 (http://www.whitehouse.gov/omb/fedreg/reproducible2.pdf); PTO, Information Quality Guidelines, available at http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html (objectivity standard: "In those situations involving influential scientific or statistical information, the results must be capable of being substantially reproduced, if the original or supporting data are independently analyzed using the same models").

[7] PTO, "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (http://www.uspto.gov/web/offices/com/sol/notices/72fr44992.pdf).

[8] See Memorandum from John Love, Deputy Commissioner for Patent Policy, to Technology Center Directors (October 11, 2007):

> Effective November 1, 2007, if any applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 175(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007.
>
> [1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

(Emphasis added.) Attached as Appendix A.

[9] PTO, Performance and Accountability Report, FY 2007, Table 3. PDF available at http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf.

[10] PTO internal memorandum (August 6, 2006): " As of 2/28/07, 708,321 UPR cases in the backlog. 29% of the non-small entity cases were over 5 or 25, and 30% of the small entity cases were over 5 and 25." Attached as Appendix C.

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the other rules. Because of deadlines PTO established in the recent final rules, we assume that the entire burden imposed on the backlog will be borne in 2008. We use 250,000 as an approximate number of prior applications affected.

- Prospective Effects: There are about 450,000 applications filed per year, growing at a rate of 8% per year according to PTO (2008: 486k; 2009: 525k; 2010: 567k). In FY 2006, 74,793 RCEs were filed (FY 2008 estimate = $75k \times 1.08^8 \sim 88k$), leaving an annual flow of (486k – 88k) = 398k (2008), $411k \times 1.08^1$ = 430k (2009) and $398k \times 1.08^2 = 464k$ (2010). Approximately one-third of non-RCE applications would be affected by the final Continuations Rule and 5/25 Claims Rule (2008: 398k ÷ 3 = 133k; 2009: 430k ÷ 3 = 143k; 2010: 464k ÷ 3 = 155k.

In any case where we use different figures, we explain their basis.

Typically, burden hour estimates are assumed to be constant over the three-year period of an approval. In this case, however. it is certain that burden hours will differ during the period. First, the burden on respondents from retroactive effects will be borne during the first year because of mandatory deadlines in the final Continuation and 5/25 Claims Rules, then vanish. Second, the number of applications covered by the ICR is rising at about 8% per year.

Missing Burdens. Table 3 of the Supporting Statement does not include several new paperwork burdens created by the final Continuations/5-25 Claims Rule. Because PTO asserted that the proposed Appeals Rule and proposed Markush Practice Rule have no change in burden, the Supporting Statement does not include their burdens. We have inserted new row numbers at the end to account for some of the burdens that would be imposed if the Appeals Rule is finalized.

We have not yet been able to estimate the paperwork burdens likely imposed by the proposed Markush Practice Rule. We expect that these burdens will be very large. To comply with the Paperwork Reduction Act, PTO must revise ICR 0651-0031 to account for these burdens and publish a new 60-day notice seeking public comment on the revision.

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Supporting Statement § A(5):
PTO's ESTIMATES OF IMPACTS ON SMALL ENTITIES ARE KNOWINGLY FALSE

In lieu of any analysis of burdens on small entities, the Supporting Statement simply asserts that there are no significant impacts on small entities because the law requires PTO to provide them fee reductions of 50%.

> No significant impact is placed on small entities. Small entities simply need to identify themselves as such to obtain the benefits of small entity status (p. 10).

This is analysis by non sequitur. The existence of a differential statutory fee is not proof of no significant impact, even if fees are the only costs small entities must bear. In fact, fees paid to PTO are a small fraction of paperwork burden. Absent credible information to the contrary, PTO must assume that impacts are proportional irrespective of entity size and re-estimate impacts on small entities.[11] At page 69ff, we present credible evidence, based on PTO data not disclosed in the Supporting Statement or the Office's Certification of No Significant Impact,[12] that the effects on small entities are greater that proportional to entity size.
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PTO's Reg Flex Act certification is dated June 29, 2007, but apparently was not published until August 28, 2007. There are fatal analytic errors in this document; it grossly understates small entity impacts. Nevertheless, it provides burden estimates that vastly exceed those in the Supporting Statement for ICR 0651-0031. Either the Supporting Statement or the Reg Flex certification, or both, are wrong.

Katznelson has shown that PTO's Reg Flex Certification of no significant impacts on a substantial number of small entities has no analytic merit.[13] First, the Certification is based on the unsubstantiated and counterfactual assertion that the number of applications affected by the final Continuations and Claims Rule is the same as if PTO had instead promulgated a different rule permitting five independent and 75 total claims ("5/75") and no continuations for a patent family. PTO claims in the Certification that a 5/75 rule would affect perhaps 1-3% of the application base, but elsewhere has admitted that the promulgated final rule affects 24-30% of applications.[14] Moreover, the existence of data that directly contradict assertions made by PTO in the Certification strongly suggest that PTO staff disseminated, both to the public and the Small Business Administration's Office of Advocacy, influential information they knew to be false.

Second, these regulatory alternatives cannot be equivalent because a separate provision of the final rule – new rule 78(f) – establishes regulatory presumptions that are burdensome for applicants to rebut. But PTO does not account for this additional paperwork burden, either in the Certification (where their revelation would have destroyed the basis for PTO's no-effect determination) or in the ICR (where paperwork burdens must be accounted for independent of differential effects on applicants of applicants by entity size).

Third, PTO has elsewhere admitted that the predicted applicant behavior change upon which the no-effect certification is premised is already standard applicant practice. Without the ability to adapt as predicted, a no-effect certification cannot be justified. Thus, PTO based its certification on a second premise it knew was invalid.

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[11] In the proposed Appeals Rule, PTO asserts that it will not have a significant impact on a substantial n umber of small entities. The Office provides no supporting evidence. See 73 Fed. Reg. 41484.
[12] PTO, "Certification Analysis Under the Regulatory Flexibility Act: Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications" (prepared by ICF International; online at: http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf).
[13] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*. See section 3.4. Attached as Appendix B.
[14] The 24-30% figure explains why the final rule is so widely controversial; the 10-3% figure does not.

Supporting Statement § A(4):
THE PROPOSED APPEAL RULE CONTAINS MILLIONS OF DOLLARS WORTH OF DUPLICATIVE BURDEN

In its PRA notice for the proposed Appeal Rule, PTO claims that it imposes no change in paperwork burden. In fact, the proposed Appeal Rule consists of economically significant changes in appeals practice because it increases cost to appellants and reducing the likelihood of success. The rule also imposes significant new paperwork burdens and exacts punishing losses on appellants who violate even the most trivial of these new requirements. We itemize these new burdens on page 83.

In addition, several specific regulatory provisions would require patentees to submit, in different format, the same information applicants have already provided to PTO in the PTO-specified format and retained electronically by PTO in its own database. No rationale is provided to justify this duplication. In Table 2 at page 15 and Table 3 at page 16, we list these duplicative requirements and provide estimates of their burden hours developed by Dr. Ron Katznelson and submitted as a public comment to PTO on October 22 and to OMB in this proceeding.[15] with hourly rates updated by AIPLA (2007) as set forth on page 10ff.

We believe that Katznelson's estimates are roughly correct in terms of hourly burden per response. However, he extrapolated from historical trends in PTO data and he adopted the PTO's projection of changes in applicant behavior leading to only 33% increase in appeal flow, because of the loss of procedural options under the final Continuations Rule. We believe this understates the likely increase in appeals. Because continuations are now sharply limited, applicants can be expected to conserve them for use when no other administrative procedure is available. We expect appeals will become a default, near-universal adaptive response to the new constraint on continuation practice. For this reason, we use Katznelson's estimates of the number of appeals as a reasonable lower bound (the "LOW" estimates in Table 2 and Table 3). For a reasonable upper bound, we assume that applicants will do as PTO recommends in the preamble to the final Continuations Rule: exercise the right of appeal earlier in the process than under today's practice (the "HIGH" estimates in Table 2 and Table 3). We assume 56,094 (75% of the 74,793 RCEs filed in FY 2006) will shift to appeals in FY 2008; the actual figure could be higher.

We follow Katznelson and assume that the current, stable ratio of Appeal Briefs to Reply Briefs will be maintained. Historically, the Office concedes error in well over 50% of Appeal Briefs, eliminating the need for a Reply Brief.[16] Note that this is only duplicative paperwork burden; new paperwork burdens caused by PTO's programmatic shift from the $1,000 per response RCE procedure to the $15,000 to $20,000 per response appeal procedure are discussed on pages **Error! Bookmark not defined.** to **Error! Bookmark not defined.**.

We report costs in millions of dollars and round to two significant figures. For 2008, duplicate burdens range from $27 million to $62 million for appeal briefs, and $12 million to $19 million for reply briefs.

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[15] Ron D. Katznelson public comments at http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1 .
[16] See PTO statistics at http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at 52-63.

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Table 2: Duplicative Paperwork Burdens In Proposed Appeals Rule: Appeal Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)		Burden Hours (a) × (b)		Hourly Rate (c)	Total Burden (a) × (b) × (c)	
41.37(i), 41.37(j), 41.37(t), 41.37(v)(1)	Contain papers that have been entered by the examiner and the applicant during prosecution and a table of contents setting forth the contents of the Evidence Section.	3.0*	**LOW***					**LOW**	
			2008	33,612	2008	100,836	$366	2008	$27 million
			2009	39,285	2009	135,216	$384	2009	$52 million
			2010	45,915	2010	137,745	$404	2010	$56 million
			HIGH**					**HIGH**	
			2008	56,500	2008	169.500	$366	2008	$62 million
41.37(u), 41.37(v)(1)	Provide copies of orders and opinions required to be cited pursuant to 41.37(g).		2009	66,100	2009	198,300	$384	2009	$76 million
			2010	77,337	2010	232,011	$404	2010	$94 million

Notes:

- Burden hour estimation logic, rows 1 & 2 combined: The Evidence appendix, its table of contents and pagination requirements of Proposed 41.37(v)(1) as stated are far more precise than the Federal Circuit's, and are circularly dependent so that they will require multiple iterations.
- Assembling and page-numbering the Appendix, and then back-substituting Appendix page numbers into the body of the brief cannot be done electronically. Based on Federal Circuit brief preparation experience of several practitioners, the attorney time shown is a very conservative cost estimate for actual attorney and paralegal costs.

Table footnotes:

* Estimated by Katznelson (2007) from PTO data; see accompanying text.

** Assumes number of appeals in FY 2008 = 75% of FY 2006 RCEs.

Table 3: Duplicative Paperwork Burdens In Proposed Appeals Rule: Reply Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)		Burden Hours (a) × (b)		Hourly Rate** (c)	Total Burden (a) × (b) × (c)	
41.37(I), 41.41(h)(2)	Include a copy of the Examiner Answer to which the Reply Brief is directed.	3.0*			**LOW***			**LOW**	
			2008	10,559	2008	31,677	$366	2008	$12 million
			2009	15,024	2009	45,072	$384	2009	$17 million
41.37(I), 41.37(v)(1), 41.41(h)(3)	All evidence upon which the examiner's answer relied in support of the new rejection that does not already appear in the evidence section accompanying the appeal brief, except the specification, any drawings, U.S. patents and U.S. published applications.		2010	17,560	2010	52,680	$404	2010	$22 million
					HIGH**			**HIGH**	
			2008	17,515	2008	52,545	$366	2008	$19 million
			2009	25,118	2009	75,354	$384	2009	$29 million
			2010	29,399	2010	88,197	$404	2010	$36 million

Notes:

- Burden hour estimation logic, row 1: Reformatting and manual pagination required for inclusion.
- Burden hour estimation logic, row 2: To meet Applicant's new burden of reproducing and documenting the Examiner's Answer's evidentiary record including reformatting and manual pagination.

* Estimated by Katznelson (2007) from PTO data; see accompanying text.
** Estimated by Katznelson (2007) from PTO data; see accompanying text. Ratio of reply briefs to appeal briefs: 31% (2008), 38% (2009), 38% (2010).

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Supporting Statement § A(8):
PTO's PUBLIC NOTICE AND CONSULATION WITH AFFECTED PARTIES WERE DEFECTIVE

PTO was required to follow specified procedures to seek OMB approval of 0651-0031 related to at least five regulatory actions. The table below maps (a) the regulation, (b) the date of public notice via FR publication,[17] (c) the date of ICR submission, (d) the date of OMB action, and (e) a summary of public participation opportunities provided by PTO. In only one case did the public have ample *time* to comment on the ICR, and in that case PTO *did not submit a Supporting Statement* enabling the public to comment on the specific items set forth in 5 CFR 1320.8(d)(1)(i)-(iv).

In the Supporting Statement PTO claims to have consulted extensively and regularly with affected regulated parties. The nature of this consultation is expressed in vague terms that cannot be verified. Moreover, the claim itself is contradicted by extensive public comments provided to PTO by these affected parties in response to proposed rulemakings. The absence of public comments on the ICRs themselves reflects PTO's limited effort to educate its constituencies regarding paperwork matters, the absence of supporting statements with its ICR submissions, the timing of its ICR submissions, and its denial that proposed rules even impose any paperwork burden.

As Table **4** demonstrates, PTO did not follow required PRA procedures necessary to ensure informed public comment:

- ICR #1 (proposed Limits on Continuations and Limits on Claims Rules): Submitted to OMB on December 22, 2005, but public notice was not issued until January 3, 2006.[18] The submission lacked a Supporting Statement, so the public did not have information essential for informed public comment.[19]
- ICR #2 (proposed IDS Rule): Submitted to OMB on June 5, 2006, but public notice was not issued until July 10, 2006.[20] This submission also lacked a Supporting Statement, so the public did not have information essential for informed public comment.[21] OMB approved the ICR on July 12, 2006 -- two days after public notice was issued.
- ICR #3 (final Continuations and 5/25 Claims Rules): Submitted to OMB on September 26, 2007, but public notice was issued on August 21, 2007.[22] This ICR included a Supporting Statement,[23] and is highlighted in yellow.
- PTO submitted no ICRs for the Appeals and Markush Practice Rules, and thus issued no public notices.

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[17] All public notices on paperwork matters were contained within the preambles to the relevant proposed or final rule..
[18] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200512-0651-002#section0_anchor.
[19] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200512-0651-002.
[20] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200606-0651-001.
[21] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200606-0651-001.
[22] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005.
[23] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200707-0651-005.

Table 4: Public Participation Opportunities in ICR 0651-0031, 2006 to date

(a) Rule Nickname	(b) Fed Reg Pub Date	(c) ICR Submission Date	(d) OMB Action Date	(e) Public Participation Opportunities
Proposed Continuations Rule[24]	01/03/06	12/22/05 200512-0651-002)	02/22/06	No supporting statement; boilerplate FR notice; nothing on which to comment.
Proposed Limits on Claims Rule[25]	01/03/06			
Petition to Make Special under Accelerated Examination Program[26]	06/26/06	Unknown; not recorded in ICR database		Change Worksheet only, not publicly disclosed. Method for deriving burden estimates not disclosed.
Proposed IDS Rule[27]	07/10/06	06/05/06 (200606-0651-001)	07/12/06	No supporting statement; boilerplate FR notice; nothing on which to comment; OMB approval on Day 2 after publication of notice with request for comment.
Proposed Appeals Rule[28]	07/30/07	N/A	N/A	No ICR submitted.
Final Continuations Rule Final 5/25 Claims Rule	08/21/07	09/26/07 (200707-0651-005)	Pending	Supporting Statement. Comments submitted to PTO and OMB on IDS Rule component only (10/18/07). Comments submitted to PTO and OMB
Proposed Markush Practice Rule[29] x0031 x0032	08/10/07 08/10/07	N/A	N/A	No ICR submitted.

[24] "The USPTO is submitting this collection in support of a notice of proposed rulemaking, 'Changes to Practice for the Examination'".
[25] Since at least 01/01/04, no ICR abstracts reference this proposed rulemaking.
[26] 71 Fed. Reg. 36323.
[27] "The USPTO is submitting this collection in support of a notice of proposed rulemaking. 'Changes to information Disclosure profit'".
[28] "The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651–0031" (72 FR 41484).
[29] "The United States Patent and Trademark Office is not resubmitting the other information collections listed above to OMB for its review and approval because the changes in this notice do not affect the information collection requirements associated with the information collections under these OMB control numbers" (72 FR 44999).

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Section A(2):
PTO's FAILURE TO PERFORM ADEQUATE INTERNAL AGENCY REVIEW AS REQUIRED BY THE PRA AND APPLICABLE INFORMATION QUALITY GUIDELINES

PTO is required under the PRA to conduct several steps of internal agency review before submitting an ICR to OMB. See 5 CFR 1320.7(d). These planning tasks include, among other things, scheduling paperwork reviews in accordance with the timing of regulatory actions that are expected to increase paperwork burden. As Table 4 demonstrates, PTO has failed to fulfill these statutory responsibilities.

An early and fundamental internal agency review task is to determine whether a proposed regulatory action is expected to have substantive effect on paperwork requirements and burdens. PTO asserts that the Appeals and Markush Practice Rules will have no effect on paperwork requirements and burdens. However, the public comment submitted by Dr. Ron Katznelson on the proposed Appeals Rule shows that its change in burden is highly significant. Moreover, several of the proposed rule's paperwork requirements are unjustifiably duplicative. Proper internal review would have flagged these problems and led PTO to avoid proposing regulations triggering duplicative paperwork burdens, and either submit a revised ICR or specifically include paperwork burdens from the proposed Appeals Rule in the September 26th submission.

In only the most recent of these three ICR packages is there a Supporting Statement in OMB's electronic record of PTO's submission. The Supporting Statement is a crucial and essential element of the ICR submission. Without one, the public has nothing on which to comment and the public participation purposes of the PRA are completely undermined.

The final internal agency review task we highlight is the requirement to produce a specific, objectively supported estimate of burden. See 5 CFR 1320.8(a)(4). The Supporting Statement for the September 26th submission contains very specific estimates for dozens of individual items of information. None of these estimates is reproducible, and all are downwardly biased because they rely on outdated wages rates.

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Supporting Statement § 12: Alternative Burden Estimates for Items Acknowledged by PTO

PTO's burden estimates for each component of ICR 0651-0031 is provided in Table 3 of the Supporting Statement. The analytic basis for these estimates is not disclosed. In this section, we provide alternative estimates in each case where we have credible information that PTO's estimate is incorrect, based on the experience of patent professionals who have complied with the ICR for many years. Where we do not have an alternative estimate, we have updated PTO's estimate with wage rates for 2008. PTO reports burden estimates in dollars, which implies up to nine significant figures. We report burdens in millions of dollars and round to two significant figures.

There are at least three reasons to believe that wage rates for 2009 and 2010 will be much higher:

(1) AIPLA (2007) shows a steady increase of about 5% or more per year over the past several years. We are aware of no information suggesting that this trend will suddenly stop.

(2) The final Continuations Rule and 5/25 Rule, the proposed (now draft final) IDS Rule, and the proposed Appeals and Markush Practice Rules, all impose hundreds of thousands of additional burden hours on a fixed supply of registered patent agents and patent counsel. In the short run, this will cause a substantial upward shift in the demand for their services. Hourly rates will rise accordingly to allocate these scarce resources to their most productive use, as measured by inventors' willingness to pay. In the long run, higher wages will cause more new lawyers to enter patent practice rather than other legal fields, and that will cause hourly rates to attenuate somewhat.[30] However, because patent law is a highly inelastic labor market – open only to those with *both* a technical degree and a law degree -- it will take many years for the market to adjust. For the foreseeable future, hourly rates for patent agents and counsel will be much higher that they are today.

(3) Certain provisions in the final Continuations Rule and 5/25 Claims Rule require patent applicants and their counsel to immediately review all their pending applications and make certain filings in the next several months. Fulfilling these tasks will cause a further upward shift in market demand for patent agents and attorneys in 2008, which will put additional upward pressure on wages.

We recommend that OMB use our 2008 wage rates, but approve the ICR for only one year and direct PTO to obtain valid and reliable data for re-estimating burden. This also would provide an opportunity for PTO to obtain its own estimates of burden for each of the items in 0651-0031 (and perhaps other ICRs). A good vehicle for this task may be the survey now under review (ICR 0561-0052), submitted to OMB on October 18, 2007, provided that it is substantially revised in both content and methodology.[31] If, however, OMB wishes to issue a standard 3-year approval, then the factors known to increase burden over the term of the approval should be accounted for in the burden estimates.

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[30] Higher wage rates in private practice also will cause the "best and the brightest" in PTO's examination corps to resign from government service.

[31] See http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200710-0651-002. The Supporting Statement for the survey does not include critical documents necessary for informing public comment, such as the actual survey instrument. Nevertheless, PTO projects a 21% response rate, which alone is sufficient ground for disapproval under OMB survey response guidance.

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IDS RULE BURDENS

Supporting Statement Table 3 Rows 1 and 2 concern IDS burdens that appear not to be affected by the IDS Rule. Our alternative estimates capture only updated hourly rates.

Rows 3 through 6 concern new burdens associated with the proposed (draft final) IDS Rule. Because the number of responses rises during the 2008-10 period, different burden estimates are appropriate for each year. For 2008, PTO's aggregate burden estimate is $175 million, all due to programmatic changes. PTO does not document the basis for its estimates.

PTO's estimates understate likely burden by a nearly 30-fold. For 2008, we estimate approximately $2.5 billion in new burden. The October 5 Declaration previously supplied[32] estimated that the proposed IDS Rule would cost approximately $7 billion. However, some of these costs were not paperwork burdens.

[32] See http://www.whitehouse.gov/omb/oira/0651/meetings/663.pdf.

Table 3, Row 1

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements with no additional disclosure requirements	PTO	2.00		273,300	546,600	$304	$166,166,400	NA	$0
	Alt	2.00	2008	273,300	546,600	$366	$200 million	$34 million	$0
			2009	273,300	546,600	$384	$210 million	$44 million	$0
			2010	273,300	546,600	$404	$221 million	$55 million	$0

Assumes 2008 hourly rates.

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Table 3, Row 2

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
eIDS (Information Disclosure Statements) filed with no additional disclosure requirements	PTO	2.00		68,450	136,900	$304	$41,617,600	$0	$0
	Alt	2.00	2008	68,450	136,900	$366	$50 million	$8.4 million	$0
			2009	68,450	136,900	$384	$53 million	$12 million	$0
			2010	68,450	136,900	$404	$55 million	$14 million	$0

Assumes 2008 hourly rates.

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Table 3, Row 3

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the first time period that require the explanation and non-cumulative description	PTO	4.00		71,150	284,600	$304	$86,518,400	NA	$86,518,400
	Alt	89.0	2008	72,900	6,488,100	$366	$2,400 million	($366-$304) × 285k = $18 million	$2,400 million
			2009	78,750	7,008,750	$384	$2,700 million	($384-$304) × 285k = $23 million	$2,700 million
			2010	85,050	7,609,500	$404	$3,100 million	($404-$304) × 285k = $29 million	$3,100 million

PTO estimate:

(i) Fundamental information quality defect: Derivation of responses per year is not disclosed by PTO.

(ii) New burden, row 3 only: $87 million.

Our estimate:

(iii) Assumes 2008 hourly rates.

(iv) Burden hours per response = $/application ÷ rate per hour = hours per response:

a. $26.700 per application [% (October 5 Declaration ¶ 45]; calculation described as based on "conservative assumption that there are only 3 independent and 20 total claims on average in those applications in which applicants cited more than 20 references" and "assumed conservative average of 30 references."

b. $300/hour [from % (October 5 Declaration ¶ 36: partner rate ($600/hour) and patent agent rate ($150/hour)].

c. Yields 89 hours per response.

(v) Responses per year = applications in which more than 20 references are cited = 15% of annual applications (October 5 Declaration. ¶¶ 33ff.): 2008: 486,000 × 15% = 72,900; 2009: 525,000 × 15% = 78,750; 2010: 567,000 × 15% = 85,050.

(vi) Excludes reasonably foreseeable increase in litigation cost due to inequitable conduct allegations [pr(litigation) × average cost to defend]:

d. Pr(litigation) = 3% (October 5 Declaration. ¶ 58).

e. Average cost to defend = $250,000 per patent (October 5 Declaration. ¶ 59).

f. Estimated costs: 2008: $550 million; 2009: $590 million; 2010: $640 million.

Table 3, Row 4

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the second time period that require the explanation and non-cumulative description	PTO	5.00		52,250	261,250	$304	$79,420,000	NA	$79,420,000
	Alt	19.8	2008	72,900 76,100	1,443,420 1,506,780	$366	$530 million $551 million	(19.8-5.0) × (366-304) = $0.92 million	$1,100 million
			2009	78,750	1,559,250	$384	$600 million	$0.92 million	$600 million
			2010	82,050	1,624,590	$404	$660 million	$0.92 million	$600 million

PTO estimate:

(i) Assumes unit burden is 125% of Row 3. Fundamental information quality defects:
  a. Basis for this assumption is not disclosed by PTO.
  b. Derivation of responses per year is not disclosed by PTO.

(ii) New burden, row 4 only: $79.4 million.

(iii) Cumulative new burden, rows 3 & 4: $166 million. This is sufficient for classification as a major rule.

Our estimate:

(vii) Burden hours per application = $/application ÷ rate per hour = hours per response:
  a. $5,950 per application [October 5 Declaration ¶ 108], assuming five new references. Also see note (v) Row 3 above describing the extent to which these estimates may be low.
  b. $300/hour [from October 5 Declaration ¶ 36: partner rate ($600/hour) and patent agent rate ($150/hour)].
  c. Yields 19.8 hours per response.

(viii) Responses per year:
  a. *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, 487 F3d 897, 82 USPQ2d 1865 (Fed. Cir. 2007), substantially increases an applicant's duty of disclosure. *McKesson* affects, at a minimum, every application that has any sibling application, whether U.S. or foreign, and will require a "second time period" IDS (or 3rd or 4th) in at least 2/3 of such applications.
  b. PTO's estimated number of responses = 73.4% × Row 3; we expect *McKesson* will increase it. Increases in burden due to changes in case law should be booked as a re-estimate, not a programmatic change, but we have no data on which to estimate the effects of *McKesson*.
  c. We estimate *McKesson* also affects 10% of PTO's backlog (761,000 × 10% = 76,100); all burden is booked in 2008.
  d. The fraction of cases subject to the "second time period" will be significantly higher than under current practice (the 50% fraction assumed in the October 5 Declaration ¶ 107), because of interactions with the final Continuations Rule.
  e. GFWAG: Row 4 = Row 3, plus backlog from (b).

(ix) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 5

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the third time period that require the first patentability justification	PTO	6.00		3,850	23,100	$304	$7,022,400	NA	$7,022,400
	Alt	30	2008	3,850	115,500	$366	$42 million	$0	$35 million
			2009	3,850	115,500	$384	$44 million	$0	$37 million
			2010	3,850	115,500	$404	$47 million	$0	$40 million

PTO estimate:

(i) Assumes unit burden is 150% of Row 3. Fundamental information quality defects:
  a. Basis for this assumption is not disclosed by PTO.
  b. Derivation of responses per year is not disclosed by PTO

(i) New burden, row 5 only: $7.0 million.

(ii) Cumulative new burden, rows 3 to 5 inclusive: $173 million. This is sufficient for classification as a major rule.

Our estimate:

(iii) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(iv) Responses per year: The "third time period" applies when prior art comes to the applicant's attention very late in the process; it arises fairly rarely, perhaps 1-3% of cases. A more accurate number could be found by finding the number of RCEs that are submitted with an Information Disclosure Statement but no amendment to the claims. Because this information is coded in the checkboxes of the PTO's form (http://www.uspto.gov/web/forms/sb0030_fill.pdf) it should be reasonably easy for PTO to provide a documented estimate. The PTO's estimate of 3,850 is a reasonable starting point pending disclosure of an empirically based estimate.

(v) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 6

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the third time period that require the second patentability justification	PTO	7.00		1,000	7,000	$304	$2,128,000	NA	$2,128,000
	Alt	30	2008	1,000	30,000	$366	$11 million	$0	$8.9 million
			2009	1,000	30,000	$384	$12 million	$0	$10 million
			2010	1,000	30,000	$404	$12 million	$0	$10 million

PTO estimate:

(i) Assumes unit burden is 157% of Row 3. Fundamental information quality defect: Basis for this assumption is not disclosed by PTO.

(ii) New burden, row 6 only: $2.1 million.

(iii) Cumulative new burden, rows 3 to 6 inclusive: $175.0 million.

Our estimate:

(iv) Assumes 2008 hourly rates.

(v) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(vi) Responses per year: An accurate estimate could be found by finding the number of RCEs that are submitted with an Information Disclosure Statement with an amendment to the claims. The PTO’s estimate of 3,850 is a reasonable starting point pending disclosure of an empirically based estimate.

(vii) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 7

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Transmittal Form	PTO	2.00	1,039,500	2,079,000	$90	$187,110,000	NA	$0
	Alt	2.00	1,039,500	2,079,000	$158	$330 million	$330 million	$0
		0.30	1,039,500	311,850	$366	$110 million	$110 million	$0
		Total	**1,039,500**	**2,390,850**		**$440 million**	**$440 million**	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An application transmittal also requires attorney review.

Table 3, Row 8

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Extension of Time under 37 CFR 1.136(a)	PTO	0.10	189,000	18,900	$90	$1,701,000	NA	$0
	Alt	0.10	189,000	18,900	$158	$3.0 million	$3.0 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 9

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Extension of Time under 37 CFR 1.136(b)	PTO	0.50	54	27	$304	$8,208	NA	$0
	Alt	4.00	714,000	2,856,000	$366	$980 million	{(4-0.5) × 54} × ($342-304) ≈ $0.025 million	$976,752,000 - $25,137 ≈ $980 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Changes in final 5/25 Claims Rule not incorporated in PTO estimate.

(iii) Rule 136(b) petitions require approximately 4 hours.

(iv) Rule 136(b) applies to all situations where no Rule 136(a) extension is available. The final Continuations/5-25 Rule sharply restricts Rule 136(a) extensions, thus forcing applicants to file for Rule 136(b) extensions (which previously were rare).

(v) GFWAG: We expect PTO to send notices to all applicants of all 5/25 applications between the Rule's effective date (November 1, 2007) and a 2-month implementation date published in the final rule (February 1, 2008), with four months to comply. An overwhelming majority of all applications will require extensions, and Rule 136(b) will be the only available vehicle for extension:

a. 80% of backlog due to retroactive effect, plus 20% of annual applications.

b. {(761,000 applications) × 80%} + {525k [2009 estimate] × 20%} = 609,000 + 105,000 = 714,000.

(vi) See also Row 48 for other burdens of similar scope.

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Table 3, Row 10

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Express Abandonment under 37 CFR 1.138	PTO	0.20	13,825	2,765	$90	$248,850	NA	$0
	Alt	0.20	13,825	2,765	$158	$0.4 million	$0.4 million	$0
		2.00	13,825	27,650	$366	$10 million	$10 million	$0
		0.50	13,825	6,913	$430	$3.0 million	$3.0 million	$0
		Total	**NA**	**37,328**	**NA**	**$13 million**	**$13 million**	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 11

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Express Abandonment to Avoid Publication Under 1.138(c)	PTO	0.20	500	100	$90	$9,000	NA	$0
	Alt	0.20	500	100	$158	$0.016 million	$0.016 million	$0
		2.00	500	100	$366	$0.37 million	$0.37 million	$0
		0.50	500	50	$430	$0.022 million	$0.022 million	$0
		Total	**NA**	**250**	**NA**	**$0.55 million**	$0.55 million	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 12

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Disclaimers	PTO	0.20	15,000	3,000	$304	$912,000	NA	$0
	Alt	0.20	15,000	3,000	$158	$0.5 million	$0.5 million	$0
		2.00	15,000	30,000	$366	$11 million	$10 million	$0
		Total	**15,000**	**33,000**	**NA**	**$12 million**	**$11 million**	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) A disclaimer is a dramatic action. It requires consulting with, and approval from, the client to confirm that the client understands what is being disclaimed, and also that the two matters must remain commonly owned throughout the life of the patents. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 13

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Expedited Examination of a Design Application	PTO	0.10	130	13	$304	$3,952	NA	$0
	Alt	0.10	130	13	$366	$0.0048 million	$0.0048 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 14

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Notice of Appeal	PTO	0.20	16,500	3,300	$304	$1,003,200	NA	$0
	Alt	0.20	75,000	3,300	$366	$27 million	($366-$304) × (75,000-3,300) ≈ $0.2 million	$27 million – $1 million – $0.2 million ≈ $25.8 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Includes only the burden of filing the notice. The burden of preparing appeals is not included by PTO; we count it at page 83ff. Appeals are covered burden because BPAI is an extension of the examination process under the management control of the Commissioner and is not administratively separate.

(iii) We expect a dramatic increase in the number of appeals driven by the new restriction on the number of allowable continuations. In the preamble to the final rule, PTO encouraged applicants to file appeals. In its FY 2007 budget proposal, PTO sought a significant increase in funding and staffing to handle this expected increase in appeals.

Table 3, Row 15

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Citation in a Patent	PTO	2.00	1,830	3,660	$304	$1,112,640	NA	$0
	Alt	2.00	1,830	3,660	$366	$1.3 million	$0.2 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 16

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned Unavoidably	PTO	8.00	585	4,680	$304	$1,422,720	NA	$0
	Alt	40	20,000	80,000	$366	$29 million	$0.3 million	$29 million

Correction:

(i) Assumes 2008 hourly rates.

(ii) Petitions to revive are extensively researched legal documents showing that the Examiner violated rules or the MPEP, or acted in an untimely manner.. We estimate they require 40 hours to prepare.

(iii) Petitions to revive are needed when PTO fails to respond in a timely manner to time-sensitive petitions. When PTO fails to respond, the effect would be abandonment by PTO neglect. Under the previous rules, the cost-effective strategy for adapting to potential abandonment by PTO neglect was to file a continuation. The new rules terminate this option. Applicants facing abandonment by PTO neglect now must file petitions to revive subsequent to abandonment.

(iv) We expect Applicants to respond by filing petitions to revive in every case where abandonment by PTO neglect otherwise would occur. Approximately 10% of applications currently require three or more continuations (or two or more RCEs) in a family. PTO has stated in the preamble to the final rule that it will purposefully abandon these applications, We estimate that there will be 20,000 such cases.

Table 3, Row 17

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned Unintentionally	PTO	1.00	6,950	6,950	$304	$2,112,800	NA	$0
	Alt	1.00	6,950	6,950	$366	$2.5 million	$0.4 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 18

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned for Failure to Notify the Office of a Foreign or International Filing	PTO	1.00	2,400	2,400	$304	$729,600	NA	$0
	Alt	3.00	2,400	7,200	$366	$2.6 million	$1.9 million	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Typical burden is 3 hours.

Table 3, Row 19

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Requests to Access, Inspect and Copy	PTO	0.20	18,650	3,730	$90	$335,700	NA	$0
	Alt	0.20	18,650	3,730	$158	$0.6 million	$0.3 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 20

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Deposit Account Order Form	PTO	0.20	1,160	232	$90	$20,880	NA	$0
	Alt	0.20	1,160	232	$158	$0.037 million	$0.017 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 21

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Certificates of Mailing/ Transmission	PTO	0.03	590,000	17,700	$90	$1,593,000	NA	$0
	Alt	0.08	590,000	49,157	$158	$7.8 million	$6.2 million	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) 5 minutes; nothing takes 1.8 minutes.

Table 3, Row 22

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Statement Under 37 CFR 3.73(b)	PTO	0.20	19,450	3,890	$304	$1,182,560	NA	$0
	Alt	0.20	19,450	3,890	$158	$0.6 million	$0.6 million	$0
		2.00		38,900	$366	$14 million	$13 million	$0
		Total		**42,790**	**NA**	**$15 million**	**$14 million**	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Tasks include: researching chain of title; identifying a corporate officer who will sign the 3.73 statement, or obtaining an "authorization of agent" in which the assignee agrees to be bound by the attorney's signature on the 3.73(b) form; preparing a paper for signature by that corporate officer or attorney; explaining the statement to the satisfaction of that officer so he is comfortable that he is not certifying a falsehood; following up with that officer to obtain his signature, etc.

(iii) GFWAG: ~ 2 hours' patent counsel time.

Table 3, Row 23

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Non-publication Request	PTO	0.10	31,500	3,150	$304	$957,600	NA	$0
	Alt	0.10	31,500	3,150	$366	$1.1 million	$0.2 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 24

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Rescission of Previous Non-publication Request (35 U.S.C. § 122(b)(2)(B)(ii)) and, if applicable, Notice of Foreign Filing (35 U.S.C. § 122(b)(2)(B)(iii))	PTO	0.10	525	53	\$304	\$16,112	NA	\$0
	Alt	0.10	525	53	\$366	\$0.019 million	\$0.003 million	\$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 25

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Electronic Filing System (EFS) Copy of Application for Publication	PTO	2.50	1,000	2,500	\$90	\$225,000	NA	\$0
	Alt	2.50	1,000	2,500	\$158	\$0.4 million	\$0.2 million	\$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 26

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Copy of File Content Showing Redactions	PTO	4.00	12	48	\$304	\$14,592	NA	\$0
	Alt	4.00	12	48	\$366	\$0.018 million	\$0.004 million	\$0

Correction:
(i) Assumes 2008 hourly rates.

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Table 3, Row 27

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Copy of the Applicant or Patentee's Record of the Application (including copies of the correspondence, list of the correspondence, and statements verifying whether the record is complete or not)	PTO	1.00	235	235	$90	$21,150	NA	$0
	Alt	1.00	235	235	$158	$0.037 million	$0.016 million	$0

Correction:
(i) Assumes 2008 hourly rates.

Table 3, Row 28

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Continued Examination (RCE) Transmittal	PTO	0.20	54,300	10,860	$304	$3,301,440	NA	$0
	Revised	0.20	54,300	10,860	$366	$4.0 million	$0.7 million	$0

Correction:
(i) Assumes 2008 hourly rates.

Table 3, Row 29

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Continued Examination (RCE) Transmittal EFS-Web	PTO	0.20	1,700	340	\$304	\$103,360	\$NA	\$NA
	Alt	0.20	1,700	340	\$366	\$0.12 million	\$0.021 million	\$0

Correction:
(i) Assumes 2008 hourly rates.

Table 3, Row 30

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Oral Hearing Before the Board of Patent Appeals and Interferences	PTO	0.20	750	150	$304	$45,600	NA	$0
	Alt	0.20	750	150	$366	$0.55 million	$0.01 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 31

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Deferral of Examination 37 CFR 1.103(d)	PTO	0.20	53	11	$304	$3,344	NA	$0
	Alt	4.00	1,000	4,000	$366	$1.5 million	($366-$304) × (4,000-53) ≈ $0.2 million	$1.5 million – $0.2 million = $1.3 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) In the preamble to the final Continuations Rule, PTO recommends suspension or deferral under 37 C.F.R. § 1.103 at least 16 times as a remedy for the loss of continuations. We assume that applicants will avail themselves of the PTO's advice.

(iii) GFWAG: 1,000 responses based on previous bullet.

(iv) Task requires consulting with the client so that the client understands that this may detract from patent term adjustment.

(v) The decision to file a request to defer examination must be made by an attorney after consultation with the client.

Table 3, Row 32

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Voluntary Publication or Republication EFS-Web	PTO	0.20	1,400	280	$90	$25,200	NA	$0
	Alt	0.20	1,400	280	$158	$0.046 million	$0.021 million	$0
		2.00		2,800	$366	$1.0 million	$1.0 million	$0
		Total		3,080		$1.1 million	$1.1 million	$0

Correction:

(i) Assumes 2008 hourly rates.

(ii) Refiling for publication involves essentially the same paperwork management as filing a new application. All application parts must be drafted, double-checked, and assembled in the PTO's preferred form.

(iii) If republication is being requested is due to PTO error, an accompanying explanation of this error is required.

(iv) Significant attorney time is required because publication gives rise to certain rights, and the attorney needs to ensure that the application text for voluntary publication or republication and other information is correct.

Table 3, Row 33

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Applicant Initiated Interview Request Form	PTO	0.35	1,600	560	$304	$170,240	NA	$0
	Alt	0.35	1,600	560	$366	$0.2 million	$0.035 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 34

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Request for Documents in a Form Other Than That Provided by 1.19	PTO	1.00	50	50	\$90	\$4,500	NA	\$0
	Revised	1.00	50	50	\$158	\$0.008 million	\$0.008 million	\$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 35

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(f) include: • Petition to Accord a Filing Date under 1.57(a) • Petition to Accord a Filing Date under 1.153(d) • Petition for Decision on a Question Not Specifically Provided For • Petition to Suspend the Rules	PTO	4.00	3,300	13,200	$304	$4,012,800	NA	$0
	Alt	4.00	3,300	13,200	$366	$4.8 million	$0.8 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 36

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(g) include: • Petition to Access an Assignment Record • Petition for Access to an Application • Petition for Expungement and Return of Information • Petition to Suspend Action in an Application	PTO	2.00	3,600	7,200	$304	$2,188,800	NA	$0
	Revised	2.00	3,600	7,200	$366	$2.6 million	$0.52 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 37

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(h) include: • Petition for Accepting Color Drawings or Photographs • Petition for Entry of a Model or Exhibit • Petition to Withdraw an Application from Issue • Petition to Defer Issuance of a Patent	PTO	1.00	10,400	10,400	$304	$3,161,600	NA	$0
	Revised	1.00	10,400	10,400	$366	$3.8 million	$0.6 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 38

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Processing of Replacement Drawings to Include the Drawings in Any Patent Application Publication	PTO	1.00	50	50	$90	$4,500	NA	$0
	Revised	1.00	50	50	$158	$0.0079 million	$0.0034 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 39

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Processing Fee Under 37 CFR 1.17(i) Transmittal	PTO	0.08	500	40	$304	$12,160	NA	$0
	Revised	0.08	500	40	$366	$0.015 million	$0.003 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 40

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition Fee Under 37 CFR 1.17(f), (g) and (h) Transmittal	PTO	0.08	17,300	1,384	$304	$420,736	NA	$0
	Alt	0.08	17,300	1,384	$366	$0.51 million	$0.086 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 41

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
41 Request to Retrieve Electronic Priority Application(s) Under 37 CFR 1.55(d)	PTO	0.13	36,800	4,784	$304	$1,454,336	NA	$0
	Revised	0.13	36,800	4,784	$366	$1.8 million	$0.3 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 42

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
42 Authorization to Permit Access to Application by Participating Offices Under 37 CFR 1.14(h)	PTO	0.10	21,000	2,100	\$304	\$638,400	NA	\$0
	Revised	0.10	21,000	2,100	\$366	\$0.77 million	\$0.13 million	\$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 43

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
43 Petition for Express Abandonment to Obtain a Refund	PTO	0.20	3,000	600	$304	$182,400	NA	$0
	Alt	2.00	3,000	6,000	$366	$2.2 million	$2.0 million	$0
		0.50	1,500	1,500	$430	$0.65 million	$0.65 million	$0
		Total	**1,500**	**7,500**	**NA**	**$2.9 million**	**$2.7 million**	$0

Correction:

- Assumes 2008 hourly rates.
- An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval.
- The analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 44

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
44 Pre-Appeal Brief Request for Review	PTO	0.50	3,200	1,600	$304	$486,400	NA	$0
	Alt	10.0	60,000	600,000	366	$220 million	$1.4 million	$219 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Burden hours per response:

a. PTO estimate is not credible because it excludes the burden of preparing the appeal behind the required request. (IRS burden estimates include the cost of preparing tax returns, not just filing them,)

b. A Pre-Appeal Request for Review is the request by an applicant that PTO invoke an internal procedure the purpose of which is to avoid the need for appeals. Submitting a Pre-Appeal Request for Review requires writing a highly persuasive, detailed 5-page brief. Neither the applicant nor the applicant's counsel may participate in the pre-appeal review, thus the document must be entirely self-contained. Under these conditions, these documents require on average about 2 hours per page to prepare, and more if the material that must be distilled is complex.

c. The attorney must sort through all Examiner rejections; identify which ones he believes were improper; identify rejections with a clear absence of a prima facie case; and narrow focus to the issues that are both simple and that, if won, result in allowance

d. GFWAG re-estimate of burden prior to final Continuations Rule: 10 hours.

e. Appeals will be more burdensome to prepare because the stakes are commensurately greater. Thus, cost estimates in AIPLA (2007) are no longer applicable even if the sample is representative. Because of the limits on continuations, there will be no opportunity to sift and refine issues; appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 200% × re-estimate (20 hours – 10 hours = 10 hours).

(iii) Number of responses:

a. Historically, Examiners have lost 80% of appeals to the Board on Patent Appeals and Interferences (BPAI), when all layers of review are considered. PTO publicly discloses only the rate of reversal at the final stage, final decisions of the Board of Patent Appeals and Interferences. More than 2/3 of appeals result in the examiner's position being reversed or vacated before the appeal reaches the Board. PTO has previously said that over half of the appeal conferences result in allowance or reopening of prosecution. Therefore, we believe the number of pre-appeal requests for review will be the majority of first final rejections, the vast majority of all second final rejections, and all 3rd final rejections. GFWAG: 60,000 responses.

b. RCEs: The final Continuations Rule is expected by practitioners to dramatically increase the number of pre-appeal reviews and appeals. In the preamble to the final rule, PTO responded to commenters objecting to the limit on continuations practice by reminding them that they were still entitled to appeal and strongly recommended that applicants do so. Therefore, we estimate at least half of all final rejections will be appealed, including: There were 74,793 (~75,000) RCEs filed in FY 2006; the final Continuations Rule shuts down RCEs, and this is where we believe that about 80% will go.

c. PTO also expects a dramatic increase in appeals. In its FY 2007 budget submission, PTO asked for a substantial increase in FTEs to handle the increased appeal workload. The basis for PTO's estimate of 3,200 appeals is not disclosed.

(iv) See **Error! Reference source not found.** at page **Error! Bookmark not defined.** for estimates of the burden of preparing appeal briefs and reply briefs.

Table 3, Row 45

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
45 Request for Corrected Filing Receipt	PTO	0.08	25,000	2,000	$90	$180,000	NA	$0
	Alt	0.08	25,000	2,000	$158	$0.32 million	$0.32 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 46

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
46 Request for Corrected Filing Receipt (electronic)	PTO	0.08	2,050	164	$90	$14,760	NA	$0
	Alt	0.20	500,000	100,000	$158	$16 million	($158-$90) × (0.20 – 0.08) × 2,050 = $0.017 million	$0
		0.50	27,050	13,750	$366	$5.0 million	$0	$16 million

Correction:

(i) Assumes 2008 hourly rates.

(ii) Review of the entire online file in PAIR Database for accuracy as the electronic file is now required. It cannot be done in 4 minutes.

(iii) The attorney is required to review the online PAIR information for accuracy as to applicant's benefit claim, and other questions, for example:

a. Is the application properly classified as a 371 national phase entry application?
b. Did all applicant's documents get scanned in and properly indexed?
c. Are any documents from other applications improperly scanned into applicant's file history and need to be expunged?
d. Is the attorney of record accurate?
e. Etc.

(iv) Normally, the voluntary filing of an error correction petition might not be considered paperwork burden. However, it qualifies as burden in this case because the rules make it mandatory for the applicant’s counsel to review the record and file a request for correction if errors are discovered.

(v) The final Continuations and 5/25 Claims Rules significantly increase these burdens

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Table 3, Row 47

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
47 Petition to Make Special Under Accelerated Examination Program	PTO	12.0	500	6,000	$304	$1,824,000	NA	$0
	Alt	40	500	20,000	$366	$7.3 million	$5.5 million	$0

Corrections:

(i) Assumes 2008 billing rates.

(ii) The tasks involved are commensurate with an Examination Support Document (ESD), which we discuss in Rows 48-49.

(iii) Nevertheless, this task can typically be abbreviated if "accelerated examination" applications are continuations off existing applications that have already been examined. GFWAG: 40 hours.

EXAMINATION SUPPORT DOCUMENTS (ESDs) (Rows 48-49)

The single greatest paperwork burden in the final 5/25 Claims Rule is the preparation of Examination Support Documents (ESDs) for all applications containing more than five independent or 25 dependent claims. Approximately 30% of all applications filed exceed one or both of these thresholds, and the same ratio applies to the backlog of applications covered by the rule. PTO assumes that only 5,000 applications will require ESDs and that each will require 22 hours to prepare and submit, but the Supporting Statement provides no evidentiary basis for either of these figures – a fundamental information quality defect.

Number of Applications

An estimated 396,000 applications will be filed in 2008 (rising at 8% per year), and there are about 761,000 pending applications covered by the rule. Therefore, we assume that the ESD requirement applies to:

396,000 × 30% = 118,800 applications filed in 2008
761,000 × 30% = 228,300 applications filed in previous years
= 347,100 applications requiring ESDs.

Burden Hours per Application

The preparation of an ESD is a complex and detailed task. It is similar in scale and scope to the information disclosure requirements in the proposed (draft final) IDS Rule. These burdens have been independently estimated in the October 5 Declaration and Katznelson October 22 public comment (which uses some data in the Declaration as inputs). A de novo estimate also has been prepared by experienced patent prosecutors with similar training and experience as the Affiant of the October 5 Declaration. They reviewed the October 5 Declaration prior to preparing their estimate. Instead of relying on the expert judgment of the Affiant, they used the framework for estimating ESD burden found in PTO's RFA Certification of No Significant Impact on a Substantial Number of Small Entities.

Below we present both alternative burden-hour estimates and explain how they were derived so that PTO and others can reproduce our work. In contrast, PTO's figure of 22 hours per response is not documented in the Supporting Statement. It also excludes at least one critical requirement of the rule – a comprehensive search, by class and subclass, of all U.S. and foreign patent and non-patent art.

Other evidence that ESDs are more burdensome to prepare can be found in PTO data. First, the Supporting Statement conflicts with the estimates in the RFA Certification. Second, in a recent voluntary program for accelerated examination where ESDs play a prominent role, the Office rejected ~ 2/3 of filings. 40% of all filings were rejected for nonsubstantive reasons such as format.[33] PTO submitted only a change worksheet to OMB to account for these burdens; see Table 4, Row 3. Third, Harry I. Moatz, PTO Director of Enrollment and Discipline, has publicly warned practitioners that they are expected to "read each paper submitted to the Office before it is submitted" and that each such paper "must be read in its entirety (emphasis in original).[34] Practitioners who do less will be subject to disciplinary action by PTO.

[33] See http://www.uspto.gov/web/patents/accelerated/ae_stat_charts.pdf.
[34] See, "Monitoring Practitioner Compliance with Disciplinary Rules and Inequitable Conduct," September 11, 2007, at http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf, slide 9.

Alternatives #1 and #2 rely on the same PTO data concerning:

i. The numbers of applications affected
ii. The proportion of affected applications that belong to small entities
iii. The average numbers of independent and dependent claims per affected application
iv. The average numbers of references per affected application

They differ primarily because of variation in professional judgment concerning the number of burden hours necessary to complete an ESD task – particularly for tasks not required of small entities. These differences result in aggregate variation of approximately 2x for small entities and 3x for large entities.

Both alternatives differ from the figures in the Supporting Statement with respect to the number of affected applications because they rely on PTO data, whereas the basis for PTO's figure is not disclosed.

PTO's omission of search costs – the first element in the preparation of an ESD – understates aggregate paperwork burden by more than $4 billion per year.

Table 5: Applications Affected by the New ESD Requirement, and Burden-Hours per Application Affected

	PTO Supporting Statement	*Alternative #1*	*Alternative #2*
Affected Applications	5,000	104,130 small entity applications 242,970 large entity applications	104,130 small entity applications 242,970 large entity applications
Task Element 1	Omitted from ICR $1,000--$2,500 in Reg Flex Cert based on PTO staff judgment	$12,000 per application based on market data	$12,000 per application based on market data
Task Element 2	22 hours	4.8 hours	14 hours
Task Element 3		29 hours (large entities only)	127 hours
Task Element 4		9.9 hours	13 hours
Task Element 5		0.0 hours (not in final rule)	0.0 hours (not in final rule)
Task Element 6		4.9 hours	9 hours
Total Burden-Hours Total Non-labor Costs	22 hours (small entity) + $0 22 hours (large entity) + $0	20 hours (small entity) + $12,000 49 hours (large entity) + $12,000	36 hours (small entity) $12,000 163 hours (large entity) $12,000

Table 3, Row 48

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216**	PTO	22.0	5,000	110,000	$304	$33,440,000	NA	$33,400,000
	Alt #1	See Table 6: ESD Burden Estimates for Small Entities Derived from PTO Data and Expert Judgment See Table 7: ESD Burden Estimates for Large Entities Derived from PTO Data and Expert Judgment						
	Alt #2	See Table 9: ESD Burden Estimation Framework from PTO's "Certification of No Significant Impact on a Substantial Number of Small Entities" See Table 10: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 1 See Table 11: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 2 See Table 12: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 3 See Table 13: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 4 See Table 14: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 6						

Table 3, Row 49

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO	2.00	5,000	10,000	$304	$3,040,000	NA	$3,040,000
	Alt	See Tables referenced in Row 48 above for combined burden estimates.						

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Table 6: ESD Burden Estimates for Small Entities Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216** 49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
	Alt #1	1	$12,000 (ii)	104,130 (iii)	NA	NA	$1,200 million	$0	$1,200 million
		2	4.8 (iv)	104,130 (ii)	0.5 0illion	$366	$180 million	$0	$180 million
		3	0 (v)	104,130 (ii)	0	$366	$0	$0	$0 \
		4	9.9 (vi)	104,130 (ii)	1.0 million	$366	$380 million	$0	$380 million
		5	0.0 (vii)	104,130 (ii)	0	$366	$0	$0	$0
		6	4.9 (viii)	104,130 (ii)	0.5 million	$366	$190 million	$0	$190 million
		Total			**2.0million**		**$2,000 million**	**$0**	**$2,000 million**

Notes:

- (i) Sources: October 5 Declaration and Katznelson October 22 public comment.
- (ii) Search costs are based on market bids; see Katznelson at Table 2 (page 7).
- (iii) Number of affected applications in year one: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100.
- (iv) Katznelson estimate: $1,429 at $300/hour = 4.8 hours.
- (v) Small entities are exempt.
- (vi) Katznelson estimate: $2,967 at $300/hour = 9.9 hours.
- (vii) This provision in the RFA is not in the final rule.
- (viii) Katznelson estimate: $1,458 at $300/hour = 4.9 hours.

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Table 7: ESD Burden Estimates for Large Entities Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216** 49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
	Alt #1	1	$12,000 (ii)	242,970 (iii)	NA	N A	$2,900 million	$0	$2,900 million
		2	4.8 (iv)	242,970 (ii)	1.2 million	$366	$430 million	$0	$430 million
		3	29 (v)	242,970 (ii)	7.0 million	$366	$2,600 million	$0	$2,600 million
		4	9.9 (vi)	242,970 (ii)	2.4 million	$366	$880 million	$0	$880 million
		5	0.0 (vii)	242,970 (ii)	0	$366	$0	$0	$0
		6	4.9 (viii)	242,970 (ii)	1.2 million	$366	$440 million	$0	$440 million
		Total			**12 million**		**$7,300 million**	**$0**	**$7,300 million**

Notes:

- (ix) Sources: October 5 Declaration and Katznelson October 22 public comment.
- (x) Search costs are based on market bids; see Katznelson at Table 1 (page 6).
- (xi) Total Number of affected applications in year one: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100. 70% are small entities: 347,100 × 70% = 242,970.
- (xii) Katznelson estimate: $1,429 at $300/hour = 4.8 hours.
- (xiii) Katznelson estimate: $8,713 at $300/hour = 29 hours.
- (xiv) Katznelson estimate: $2,967 at $300/hour = 9.9 hours.
- (xv) This provision in the RFA is not in the final rule.
- (xvi) Katznelson estimate: $1,458 at $300/hour = 4.9 hours.

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Table 8: ESD Burden Estimates for Small and Large Entities Combined Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
		1	$12,000	347,100	NA	NA	$4,100 million	$0	$4,100 million
		2	4.8	347,100	1.7 million	$366	$610 million	$0	$610 million
49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	Alt #1	3	29 (v)	242,970	7.0 million	$366	$2,600 million	$0	$2,600 million
		4	9.9	347,100	3.4 million	$366	$1,300 million	$0	$1,300 million
		5	0.0	347,100	0	$366	$0	$0	$0
		6	4.9	347,100	1.7 million	$366	$620 million	$0	$620 million
		Total			**14 million**		**$9,200 million**	**$0**	**$9,200 million**

0

Notes:

(i) Sum of Table 6 and Table 7.

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Table 9: ESD Burden Estimation Framework from PTO's "Certification of No Significant Impact on a Substantial Number of Small Entities"

Alternative #2 relies on this framework for deriving ESD burden estimates. See pages 76-80.)

ESD Element	Cost Basis	Estimate (pre-filing search)	Estimate (post-filing search)
Element 1 (search by class and subclass, U.S. and foreign patent and non-patent art) (see p. **Error! Bookmark not defined.**)	Application-based	$1,000 - $2,500	$1,000 - $2,500
Element 2 (citing the references deemed most pertinent to each claim, independent or dependent)	Application-based	1 hour	1 hour
Element 3 (For each reference cited, an identification of all the limitations of each of the claims (independent or dependent) disclosed)	First 2 indep't claims	30 minutes each	40 minutes each
	Remaining indep't claims	10 minutes each	10 minutes each
	First 10 dependent claims	10 minutes each	10 minutes each
	Remaining dependent claims	5 minutes each	5 minutes each
Element 4 (detailed explanation of patentability of each claim (independent or dependent) over each reference)	Independent claims	10 minutes each	15 minutes each
	Dependent claims	No additional time needed	No additional time needed
Element 5 (concise statement of utility for each indep't claim)	Application-based	30 minutes	30 minutes
Element 6 (showing of where each limitation of each claim (independent or dependent) is supported in the spec, and in all priority applications)	First two independent claims	20 minutes each	20 minutes each
	Remaining independent claims	10 minutes each	10 minutes each
	Dependent claims	5 minutes each	5 minutes each

Notes:

(i) The specific values above are unsupported; the RFA Certification only says they are based on the contractor's consultations with PTO staff.
(ii) Element 1 is not accounted for directly or indirectly in the ICR.
(iii) Element 3: The final rule exempts small entities from this requirement; zero burden on small entities is assume.
(iv) Element 5: The requirement for a "concise statement of utility" is not included in the final rule; zero burden on all-sized entities is assumed.
(v) Note that the units of analysis are claims and references, not applications. Thus, to estimate average burden requires information concerning the number of claims and references in the average application. PTO's figures in the Supporting Statement make no such distinction.

Table 10: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 1

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 1 (search by class and subclass, U.S. and foreign patent and non-patent art)	PTO RFA Cert	4.29 10.73	Not Disclosed	Not Calculable	$233 (ii)	Not Calculable	$0	Not Calculable
	Large Entities (i)	NA	242,970	NA	$12,000 each	$2,900 million	$0	$2,900 million
	Small Entities (i)	NA	104,130	NA	$12,000 each	$1,200 million	$0	$1,300 million
	Total							**$4,100 million**

Notes:

(i) Number of affected applications in 2008: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100.

(ii) PTO RFA Certification uses $233/hour "blended rate" (p. 15). The basis for this assumption is not stated – a fundamental information quality defect.

(iii) Tasks involve search of all U.S. and foreign patent and non-patent; obtain documents of interest. Likely to be contracted out depending on the relative price of in-house paralegal staff. Commercial estimates are $8,000 - $13,000. Assume $12,000 per search based on midpoint of market bids. For newly filed applications, cost includes searching "exotic" art in addition to the "low hanging fruit" art searched in a typical novelty search; obtain documents of interest. Requires update of search as claims are amended.

Table 11: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 2

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 2 (citing the references deemed most pertinent to each claim, independent or dependent)	PTO	1.00	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	Alt	14	347,100	4,859,400	$366	$1,800 million	$0	$1,800 million

Notes:

(i) Task includes reading and reviewing every reference; failing to do so risks disciplinary action by PTO. See, "Monitoring Practitioner Compliance with Disciplinary Rules and Inequitable Conduct," September 11, 2007, at http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf, slide 9.

(ii) Reference review must be comprehensive enough to decide whether to submit it or to describe it as "cumulative," which depends on how many other documents there are to compare the reference against, the complexity of the claims, and the complexity of the document. This includes review of all search results by the searcher and the searcher's initial obtaining and review of references of interest in the search results; the attorney review of all documents received from the searcher; attorney deciding whether or not each such reference should be cited,

(iii) Reference review must be comprehensive enough to decide whether to deem it "most closely related to the subject matter of each of the claims" recognizing that PTO and potential infringers may disagree. Each claim requires a listing by the attorney of all the references out of the whole group that applies to it as required in item 2 of PTO/SB/16.

(iv) PTO's figure captures, at best, only the cursory review required under the old rules. We assume 14 hours per affected application (347,100).

Table 12: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 3

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 3 (For each reference cited, an identification of all the limitations of each of the claims (independent or dependent) disclosed Large entities only; small entities are exempt	PTO	Varies	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	(i)	NA	242,970	NA	NA	NA	NA	NA
	(iii) + (iv)	127	242,970	30,857,190	$366	$11,300 million	NA	$11,300 million
	(v)	NA	242,970	NA	$4,000 per application	$ 970 million	$0	$ 970 million
	Total			**31 million**	**NA**	**$12,200 million**	**$0**	**$12,200 million**

Notes:

(i) Derived from PTO data by Katznelson. Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100. Of the applications that exceed 5/25, average number of independent claims = 5.2; average number of dependent claims = 36.9; average number of applicant cited references is estimated at 10 for small entities, 7.1 for large entities. Source: PTO data obtained in discovery. 30% of affected applications are submitted by small entities (104,130), 70% by large entities (242,970).

(ii) Expert judgments that differ from Alternative #1 are limited to estimates of burden-hours per claim: (a) 2.0 hours per claim for independent claims; (b) 0.2 hour per claim for independent claims.

(iii) Independent claims: 2.0 hours per claim per reference × 5.2 independent claims per application × 7.1 references per application = 74 hours per application.

(iv) Dependent claims: 0.2 hours per claim per reference × 37 claims per reference × 7.1 references per application = 53 hours per application.

(v) Final rule requires *all* applications be searched for foreign references. To determine whether these searches yield relevant art, references must be translated. Outsourced at approximately $4,000 per application.

(vi) Burden is magnified because final rule requires the ESD to include analysis for all references × all claims.

Table 13: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 4

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 4 (detailed explanation of patentability of each claim (independent or dependent) over each reference)	PTO	Varies	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	Alt	13	347,100	4,512,300	$366	$1.700 million	$0	$1,700 million

(i) Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100.

(ii) Task requires comparing each independent claim to each reference and writing up the 265(a)(4) discussion of "how each independent claim is patentable." We assume 2 distinct and 3 indistinct independent claims; 8.4 references (weighted average of 7.1 for large [70%] and 10 for small [30%]); and 1 hour per distinct independent claim per reference: 1.0 hour × 1.5 claims × 8.4 references = 13 hours. (Indistinct independent claims ignored in burden estimate.)

Table 14: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 6

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 6 (showing of where each limitation of each claim (independent or dependent) is supported in the spec, and in all priority applications)	PTO	Varies	Not Disclosed	Not Calculable	\$233	Not Calculable	\$0	Not Calculable
	(i)	NA	NA\	NA	NA	NA	NA	NA
	(ii)	6.0	347,100	2,082,600	\$366	\$760 million	\$0	\$760 million
	(iii)	3.0	20,000	60,000	\$366	\$22 million	\$0	\$22 million
	Total			**2,142,600**		**\$780 million**	**\$0**	**\$780 million**

(i) Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100.

(ii) Writing up Rule 265(a)(5) "support" showing of each dependent claim. Assumes 6 hours per application.

(iii) Writing up the Rule 78(d)(3) "support" for C-I-P's. Assumes 3 hours per application. Responses per year assumed to be 20,000.

Table 3, Row 50

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
50 Petition for a second continuation or continuation-in-part application showing why the amendment, argument, or evidence could not have been submitted prior to the close of prosecution in the prior-filed application (proposed 37 CFR 1.78(d)(1)(iv))	PTO	4.00	1,000	4,000	$304	$1,216,000	NA	$0
	(ii)	8.0	5,700 (i)	45,600	$366	$17 million	$0	$17 million
	(iii)	0.3	5.700	1,710	$158	$0.27 million	$0	$0.27 million

(i) Number of responses: 2.7% of all applications × 571,000 = 11,400) are RCEs; half are assumed to be affected. See 72 F.R. 46755, col. 1.
(ii) Attorney tasks: Prepare Petition for 3rd Continuation under Rule 78(d)(1)(vi) with reference to its accompanying "Showing."
(iii) Additional docketing to track (a) status of the petition and showing and (b) status of the application if the petition and showing are denied.

Table 3, Row 51

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
51 Prepare Petition for 2nd RCE - Rule 114(g) with reference to its accompanying "Showing,"	(i)	8.0	5,700	45,600	$366	$17 million	$0	$17 million
	(ii)	0.3	5.700	1,710	$158	$0.27 million	$0	$0.27 million

(i) Number of responses: 2.7% of all applications × 571,000 = 11,400) are RCEs; half are assumed to be affected. See 72 F.R. 46755, col. 1.
(ii) Attorney tasks: Prepare Petition for 2nd RCE - Rule 114(g) with reference to its accompanying "Showing."
(iii) Additional docketing to track (a) status of the petition and showing and (b) status of the application if the petition and showing are denied.

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January 17, 2008

Supporting Statement § 12: Estimates of Burdens Not Acknowledged By PTO

Pages 83-90 concern paperwork burdens not acknowledged by PTO in its Supporting Statement.

OMITTED ITEM: IDS REQUIRED FOR 4TH TIME PERIOD

Table 3, Omitted Item 1 (IDS 4th Time Period)

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the fourth time period	PTO	0.00		0	0	\$0	\$0	NA	NA
	Alt	30	2008	7,760	232,800	\$366	\$85 million	\$0	\$85 million
			2009	7,760	232,800	\$384	\$89 million	\$0	\$89 million
			2010	7,760	232,800	\$404	\$94 million	\$0	\$94 million

PTO estimate:

(i) Not estimated.

Our estimate:

(i) Assumes 2008 hourly rates.

(ii) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(iii) Responses per year: The “time window” during which external events beyond an applicant’s control require exercise of this rule is generally about 1½ to 2 times as long as the time window that triggers the “third time period” rule. We estimate (3,850 + 1000) × 160% = 7,760 responses per year.

(iv) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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OMITTED ITEM: APPEAL BRIEFS AND REPLY BRIEFS TRIGGERED BY LOSS OF CONTINUATIONS)

Table 3, Omitted Item 2 (Appeal Briefs & Reply Briefs)

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Appeal Brief	PTO	0	0	0	NA	NA	NA	NA
	Alt	30	40,000	1,200,000	$366	$440 million	$0	$440 million
Reply Brief	Alt	16	16,000	256,000	$366	$94 million	$0	$94 million
	Oral hearing prep	8	16,000	128,000	$366	$47 million	$0	$47 million
	Oral hearing travel	8	14,400 14,400	115,200 NA	$366 $1,000/trip	$42 million $14 million	$0	$42 million
Total			**Varies**	**1,699,200**	**NA**	**$640 million**	**$0**	**$640 million**

Corrections:

(i) PTO counts the burden of *filing* a request for appeal (see Row 14), but not the burden of *preparing* an appeal. Appeals are covered burdens because BPAI is an extension of the examination process under the management control of the Commissioner of Patents.

(ii) Burden hours:

a. AIPLA (2007) reports average cost of filing an appeal in 2006 ranged from $4,000 without oral argument (interquartile range: $2,500 to $5,500) to $6,500 with oral argument (interquartile range: $4,500 to $10,000). At the 2006 billing rate of $332, these equate to 12 (8 to 17) and 20 (14 to 30) burden hours, respectively. We use 20 burden hours because oral argument is now essential.

b. We believe appeals will be much more expensive under the final Continuations Rule because there will be no opportunity to sift and refine issues and appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 150% of (a), or 30 hours.

c. Oral hearing entails additional preparation costs, plus travel. We assume 90% require non-local travel at $1,000 per trip.

(iii) Number of responses:

a. Under the final Continuations Rule, appeal is the most attractive option in the absence of additional continuations available by right.

b. GFWAG: 60,000 of the RCEs prevented by the Continuations Rule will convert to Pre-Appeals. In 1/3 of Pre-Appeals, the examiner will concede error and drop the rejection, leaving 2/3 (40,000) to mature into Appeal Briefs. At Appeal Brief stage, historically, the Office has conceded error in about 60% of cases, and thus 40% of the 40,000 appeals (16,000) mature to the Reply Brief and Oral Hearing stage. See note (iii)(b) for Row 44.

OMITTED ITEM: REBUTTING THE NEW PRESUMPTION THAT CLAIMS ACROSS RELATED APPLICATIONS ARE PATENTLY INDISTINCT (NEW RULE 78(f))

Katznelson has used PTO data to estimate the burden associated with new rule 78(f).[35] He shows that the number of pair-wise comparisons for a rebuttal of patently indistinct claims prescribed under the new rule 78(f) would be approximately equal to 25% of the number of applications, and when these explanations are required, an average burden of 40 hours would be expended. With 398,000 applications (excluding RCEs) in FY 2008, ABOUT 100,000 responses per year are estimated.

Similarly, the number of rebuttal comparisons would equal about 25% of the backlog application pool (761,000 × 25% = 190,250). Unlike new applications requiring a rebuttal comparison only with their respective parents, however, a rebuttal comparison of applications in the back file would have to include comparison with any existing descendent applications. Adding these incidents that issued as a patent, we estimate that there would be approximately 10,000 more required comparisons in the back-file, yielding a total of 200,000.

These figures are incorporated into the estimate below:

Table 3, Omitted Item 3 (Rebutting the New Presumption that Claims Across Applications Are Patently Indistinct)

Item Rebutting the presumption of patently indistinct claims per §1.78(f).		Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
(i)	New applications.	40	100,000	4,000,000	$366	$1,500 million	$0	$1,500 million
(ii)	Pending applications.	40	200,000	8,000,000	$366	$2,900 million	$0	$2,900 million
	Totals			**11,960.000**		**$4,400 million**		**$4,400 million**

[35] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*. See section 3.4. Attached as Appendix B.

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OMITTED ITEM: BURDENS RELATED TO THE NON-EQUIVALENCE OF THE FINAL CONTINUATIONS AND CLAIMS RULE WITH A HYPOTHETICAL REGULATORY ALTERNATIVE RULE PERMITTING A SINGLE APPLICATION OF 15/75 CLAIMS AND NO CONTINUATIONS

PTO's RFA Certification assumes, among other things, that the number of applications affected by the combination of the 5/25 claims limits and the 2 continuations limit is the same as if PTO had promulgated a rule allowing 15/75 claims and no continuations. This assumption, for which no supporting evidence if provided except for the "belief" of PTO staff, is essential for the Office's determination that the fin al Continuation and Claims Rules will not have a significant impact on a substantial number of small entities.

In fact, these alternatives are equivalent only if (at least) the following extraordinary conditions hold true:

(i) The invention must serendipitously group into "buckets" such that there is exactly a 5:1 ratio between dependent and independent claims, and the package of 15/75 is divisible exactly by 3;
(ii) The shorter patent terms for the second and third 5/25 sets must entail no reduction in PV compared to prosecution as 15/75;
(iii) The later patent grant date for the second 5/25 set (~three years after the original application) and the third 5/25 set (~six years after the original application) must entail no reduction in PV compared to prosecution as an original application of 15/75;
(iv) Families of related patents must have composite claim sums that are no different from parent applications; and
(v) At the date of original application, an applicant must have perfect knowledge about: (a) all attributes of his invention that are patentable, which is necessary to know which 15/25 claims at the outset to decide how to prosecute them sequentially without loss of claims or economic value; (b) all prior art relevant to patentability, because the discovery of prior art subsequent to application would change the final form of the patent, undermining equivalence; (c) future market conditions during the life of the prospective patent, including which claims are worth protecting and which are not; (d) infringers' plans to import or export components of the invention, sell kits for later assembly, or otherwise engage in "incomplete" infringement that can only be protected through use of multiple legally-distinct claims directed to "patentably indistinct" aspects of the same conceptual invention; and (e) all responses from one or more examiners, pre-appeal review conferences, and BPAI appeals (the simple act of re-designating a dependent claim as independent would undermine 15/75 equivalence), and where the "hang ups" will arise so that they can be moved to the last application in the chain so that they will not affect other applications.

Each of these conditions is a rare special case for which examples cannot be readily identified. Locating the combined special case is multiplicatively more difficult.

To estimate burden we can stipulate arguendo that these conditions in fact apply. That means 2.5 million claims must be shifted elsewhere.[36] Because the 5/25 Claims Rule limits the number of claims in each application, 100,000 is the theoretical bare minimum number of additional continuations, each containing (no more than) 5/25 claims, that would be filed to account for these forced shifts. However, PTO has not accounted for the additional burdens associated with at least 100,000 – and quite likely, many more than 100,000 -- from "forced claim shifting."

Also, because these 2.5 million shifted claims go into continuations, each has a parent application with claims associated thereto. Under new rule 78(f),[37] each claim must be shown not to be patently indistinct from each claim in the relevant parent. PTO has not accounted for these paperwork burdens, either.

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[36] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*): "Calculations based on USPTO claim distribution data in the record (A03554-A03620), show that about 2.35 million claims per year were submitted in excess of 5/25. An estimate of 2.5 million claims for FY 2008 is obtained after applying the appropriate annual changes and growth trends." See fn. 6 and section 3. Attached as Appendix B.
[37] See Table 3, Omitted Item 5 (Uncounted Burdens Related to Continuations Rule) on page 91.

OMITTED ITEMS: ADDITIONAL TASKS RELATED TO THE 5/25 CLAIMS RULES

Table 3, Omitted Item 4 (Additional Tasks Related to the 5/25 Claims Rules)

Item		Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
(i)	Suggested Restriction Requirements (SSR)		4.0	228,000 119,000	912,000 47,600	$366	$330 million $17 million	$0 $0	$330 million $17 million
(ii)	Analysis of claims with regard to proper groups in light of current US restriction or lack of unity practice		2.0	228,000 119,000	456,000 238,000	$366	$170 million $87 million	$) $0	$170 million $87 million
(iii)	Petition Examiner's denial of SRR		8.0	68,400 35,700	547,200 285,600	$366	$200 million $100 million	$0 $0	$200 million $100 million
(iv)	Transition tasks		2.0	114,000 59,500	228,000 119,000	$366	$83 million $44 million	$0 $0	$83 million $44 million
(v)	Petitions of examiner's decision that a dependent claim should be counted as an independent claim for the purposes of 5/25		8.0	10,000	80,000	$366	$29 million	$0	$29 million
	Totals				**2,913,400**		**$1,300 million**		**$2,300 million**

(i) Probably required for every initial application as the claim set for every initial application filed under the new rules would likely be over 5/25 due to the need to have at least one claim from every possible restrictable group in the family of the initial application and would take the claim set well over 5/25. Applies to 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 228,000 backlog applications + 119,000 applications per year.

(ii) Applies to 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 228,000 backlog applications + 119,000 applications per year.

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(iii) Applies to 30% × (228,000 backlog applications + 119,000 applications per year).

(iv) Required either because of transition from old rules to new rules, or because of interactions between the Continuations, 5/25 and Appeal Rules. Applies to 50% × (228,000 backlog applications + 119,000 applications per year).

a. Reviewing currently pending applications and their priority documents for restriction requirements that were given late in prosecution after the claims were examined in that or an earlier filed application, or because Examiner B divides the claims differently than Examiner A. This involves review of all restriction requirements and all claims, pending, canceled and withdrawn. Note: this would have to be done for every application that had received a restriction requirement]/

b. Waivers of Rule 78(d)(1)(ii) for late restrictions in applications pending on the effective date of the rules [None of the "late" restrictions that were mailed prior to the new rules contain a waiver such as that described in FAQ C7 that would allow applicant to file a divisional under the new rules - so such waivers would have to be obtained after the fact.] (this is an "after the fact" waiver based on FAQ C7 in which the PTO states that under the new rules if a late restriction was made after the claims were examined, the examiner would put such a "waiver" into the office action.)

c. Prepare request that a waiver (as mentioned in FAQ C7) of new Rule 78(d)(1)(ii) be placed on the record for an old pre-new rules late restriction, so that applicants may file the restricted claims under the new divisional practice.

(v) GFWAG: 10,000 per year.

ESTIMATES FOR BURDENS NOT ACKNOWLEDGED BY PTO; BURDENS RELATED TO CONTINUATIONS RULE

The final Continuations Rule converts a generally unconstrained resource (the right to file unlimited continuations with payment of the filing fee) into a severely constrained resource (the right to file only two continuations).

This has three predictable consequences, both of which are clearly intended by PTO:

1. Applicants must manage each submission with much greater care to detail. "The Office, in light of its backlog and anticipated continued increase in application filings, is making every effort to become more efficient. Achieving greater efficiency requires the cooperation of those who provide the input into the examination process, the applicants and their representatives" (72 Fed. Reg. 456719);
2. Applicants must aggressively defend against Examiners' tactical decisions driven by perverse in internal incentives. Under the previous rules, Examiners frequently issued final rejections to "pad their counts," knowing that Applicants' least-cost strategy to overturn rejection was simply to file a continuation and pay the required filing fee. Examiners thus could earn double credit for the same work. Under the new rules, PTO is deputizing Applicants as managers of the Examination process with the expectation that Applicants will no longer tolerate Examiners' gaming of the Office's inefficient system of internal rewards: "[T]he Office expects that limiting the number of continuing applications and requests for continued examination that may be filed without justification will encourage both applicants and examiners to engage in a more thorough prosecution and examination earlier in the application process (72 Fed. Reg. 46753, emphasis added); and
3. Applicants must aggressively defend against Examiner error. Under the previous rules, Applicants' least-cost strategy for managing Examiner error was to file a continuation. Under the new rules, only two continuations are permitted by right. Additional continuations are permitted only upon "a showing that the amendment, argument, or evidence sought to be entered could not have been submitted prior to the close of prosecution in the application" (see §§ 1.78(d) (1)(vi) and 1.114(g)). Examiner error is not an allowable basis for securing an additional continuation. Thus, Applicants cannot allow Examiners to improperly consume scarce continuation rights.

These predictable consequences involve significant new paperwork burden.

Table 3, Omitted Item 5 (Uncounted Burdens Related to Continuations Rule)

Row	Item	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
1	Changes in applications to comply with and use the limited opportunities available under the continuations rules; see note (i)	8	507,000 (backlog)	4,056,000	$366	$1,500 million	$0	$1,500 million
			324,000 (annual)	2,592,000	$366	$950 million	$0	$950 million
2	Incremental work in preparing previously not required Responses to Office Actions, not including appeals (accounted for elsewhere); see note (ii)	6	507,000 (backlog)	3,042,000	$366	$1,100 million	$0	$1,100 million
			324,000 (annual)	1,944,000	$366	$710 million	$0	$710 million
3	Submissions under MPEP § 710.06 to reset a period for reply to an office action for errors that affect applicant's ability to reply to the office action; see note (iii)	10	324,000	3,240,000	$366	$1,200 million	$0	$1,200 million
4	Requests to examiner and Petitions to Director to Withdraw Premature Final Rejection as recommended by PTO in "Town Hall" slide 82; see note (iv)	3	200,000	600,000	$366	$220 million	$0	$220 million
	Total Unaccounted Paperwork Burden Related to New Constraints on Continuation Practice							

Notes:

(i) In accordance with the new limit on continuations, applications must be prepared with the expectation of having to correct Examiner error without resort to continuations practice. These changes include: (a) reviewing applications to identify every potentially patentable invention; (b) frame claims to fit into "5/25" shaped pigeon-holes; (c) identify desirable restrictions and force the claims into them, (d) add claims to create "false" restrictions that can be "cached" for later use, even though economically unwarranted under today's law. These kinds of prophylactic steps will be taken in about 2/3 of applications (761,000 × 2/3 = 507,000 pending applications; 486,000 × 2/3 = 324,000 new applications in 2008) because both continuations and claims are now scarce resources, and all claims now have to be in the application at the outset.

(ii) Under the previous rules, when an Examiner rejected an application the usual practice was to present only the single most cost-effective argument likely to overcome the Examiner's position. However, because examiners are often confused about the technical subject matter (patents are by definition at the cutting edge of what is known), and only about are lawyers, there is no predicting which single argument will be most persuasive. This process could be repeated as necessary. The preserve the value of the two continuations permitted under the new rules, Applicants must present every viable argument to every examiner every time. Thus, the hours to prepare a typical Reply to Office Action under 37 C.F.R. § 1.111 or 1.116 will roughly double. Compelling more complete replies by Applicants is an intended outcome of the new rules, but its paperwork burdens must be accounted for.

(iii) MPEP § 710.06 permits an applicant to return a defective Office Action to the Office to be corrected or completed. In some technology centers (e.g., 3620/3690 [business methods]), most Office Actions are defective. The examiner (a) omitted consideration of a specific dispositive fact; (b) omitted consideration of a dispositive element of the relevant legal test, or (c) invented a new test not found in law, regulation or guidance. Under the previous rules, Applicants could make reasonably well informed inferences about the nature of Examiner error and, through continuation practice, file paper that is responsive and advances prosecution. Under the new rules, this practice is no longer feasible and Applicants must exercise MPEP § 710.06. We expect that about 2/3 of all Office Actions will be returned as defective in the first year. This percentage may decline as Examiners gain experience with the new rules and reduce their error rate.

(iv) A majority of all Office Actions designated "final" are prematurely made final. Under the previous rules, the most cost-effective approach was to file a continuation (and filing fee of $400 or $800). Under the new rules, this practice is no longer permitted. Applicants must seek review of nearly every premature final rejection. Many will take multiple stages of review, because most of the PTO personnel who decide these questions at lower levels – examiners and Special Program Examiners – are not lawyers, and cannot decide these questions correctly. In "Town Hall" slide 82, the PTO specifically recommends that Applicants file these petitions (http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslides.ppt). However, PTO did not account for them in the ICR. We estimate there will be 200,000 requests to Examiners and petitions up the review chain, at an average of 10 hours each.

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
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Date: October 11, 2007

To: Technology Center Directors

From: John J. Love, Deputy Commissioner for Patent Examination Policy

Subject: Notice to Examiners Regarding Claims and Continuations Final Rule: Transitional practice for restriction requirements from October 14, 2007 until November 10, 2007

Effective November 1, 2007, if applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 1.75(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007. Withdrawn claims will not be taken into account in determining whether an application exceeds the 5/25 claim threshold. The Office will notify applicant that an ESD is required in an application that does not have a FAOM before November 1, 2007 and exceeds the 5/25 claim threshold.

In order to minimize the issues that may occur regarding restriction requirements made before November 1, 2007, the following procedures are recommended:

During the transitional period from October 14, 2007 until November 10, 2007, (1) no telephone restriction requirement may be made, and (2) the form paragraph provided at the end of this memorandum must be included in any written restriction requirement mailed without an Office action on the merits before November 1, 2007, in a new application[2].

In response to any restriction requirement mailed on or after November 1, 2007, if applicant elects an invention that is drawn to more than 5 independent claims or more than 25 total claims, such an election must be accompanied by an ESD in compliance with 37 CFR 1.265 covering each of the elected claims. In this situation, the applicant is required to file the election and ESD within two months from the mailing of the restriction requirement. If applicant elects an invention that is drawn to no more than 5/25 claims taking into account any amendment to the claims, the examiner may examine the elected invention. If the restriction requirement is mailed before November 1, 2007, however, and applicant elects an invention that is drawn to more than 5/25 claims, a notice under 37 CFR 1.75(b)(3) will be mailed to applicant to require the ESD. **New notices and form paragraphs will be provided for restriction requirements after the transitional period.**

Questions related to this memorandum may be directed to the Office of Patent Legal Administration at (571) 272-7704 or e-mailed to PatentPractice@USPTO.gov.

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[1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.
[2] A new application is an application that has not had a FAOM (*e.g.*, a new application is not an application in an amended status and not an application in which a request for continued examination (RCE) has been filed).

UNITED STATES PATENT AND TRADEMARK OFFICE

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Date: October 11, 2007

To: Patent Examining Corps

Margaret A Focarino

From: Margaret A. Focarino, Deputy Commissioner for Patent Operations

Subject: Notice to Examiners Regarding Claims and Continuations Final Rule

Effective November 1, 2007, if applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 1.75(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007.

Since there are a number of pending new, unexamined applications with over 5/25 claims, the Office will be placing many of these applications in a pre-examination PALM status in order to process and mail notices for compliance with 37 CFR 1.75(b). This will occur on or about October 15, 2007.

In certain situations, these applications may have been in status 030 and on an examiner's docket.

Around this time period (on or about October 15, 2007), examiners should:

1. **Check any new applications they are working on to make sure they are in the proper status (030) to be examined; and**
2. **In the situation when an examiner has started examining an application when it was in status 030 but the application's status has been changed and is no longer 030 (not ready for a First Action), examiners should stop working on the application and contact their SPE.**

Some additional recommendations regarding examination before 11/1/2007:

1. **If examiners are working on new, unexamined applications with over 5/25 claims that will have restrictions, please see the previous memo regarding "Transitional practice for restriction requirements"; and**
2. **If examiners are working on new, unexamined applications with over 5/25 claims that will not be restricted, it is recommended that these Office actions be completed and mailed before 11/1/2007. If uncertain if they will be mailed before 11/1/2007, it recommended that they be held until the training is delivered on the new rules.**

Further information concerning the proper procedures to follow on/after 11/1/2007 under the new Claims and Continuations Final Rule will be forthcoming.

[1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

Form paragraph for the transitional period (10/14/07-11/10/07) (available in OACS as a custom form paragraph):

> Effective November 1, 2007, if applicant wishes to present more than 5 independent claims or more than 25 total claims in an application, applicant will be required to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). See Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46715 (Aug. 21, 2007), 1322 Off. Gaz. Pat. Office 76 (Sept. 11, 2007) (final rule). The changes to 37 CFR 1.75(b) apply to any pending applications in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007. Withdrawn claims will not be taken into account in determining whether an application exceeds the 5/25 claim threshold. For more information on the final rule, please see http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/clmcontfinalrule.html.
>
> In response to the restriction requirement set forth in this Office action, applicant is required to file an election responsive to the restriction requirement. Applicant may not file a suggested restriction requirement (SRR) in lieu of an election responsive to the restriction requirement as a reply. A SRR alone will not be considered a *bona-fide* reply to this Office action.
>
> If applicant elects an invention that is drawn to no more than 5 independent claims and no more than 25 total claims, applicant will not be required to file an ESD in compliance with 37 CFR 1.265 that covers each of the elected claims. If the elected invention is drawn to more than 5 independent claims or more than 25 total claims, applicant may file an amendment canceling a number of elected claims so that the elected invention would be drawn to no more than 5 independent claims and no more than 25 total claims.
>
> If the restriction requirement is mailed on or after November 1, 2007, applicant is also required to file an ESD in compliance with 37 CFR 1.265 that covers each of the elected claims, unless the elected invention is drawn to no more than 5 independent claims and no more than 25 total claims taking into account any amendment to the claims. To avoid the abandonment of the application, the ESD (if required) and the election must be filed within **TWO MONTHS** from the mailing date of this Office action. The two-month time period for reply is extendable under 37 CFR 1.136.
>
> If the restriction requirement is mailed before November 1, 2007, the election must be filed within **ONE MONTH** or THIRTY DAYS, whichever is longer, from the mailing date of this Office action. The time period for reply is extendable under 37 CFR 1.136. Furthermore, if the elected invention is drawn to more than 5 independent claims or more than 25 total claims taking into account any amendment to the claims, the Office will notify applicant and provide a time period in which applicant is required to file an ESD in compliance with 37 CFR 1.265 covering each of the elected claims or amend the application to contain no more than 5 independent elected claims and no more than 25 total elected claims.

DEFECTS IN THE ECONOMIC IMPACT ANALYSIS PROVIDED BY THE USPTO FOR ITS NEW CLAIMS AND CONTINUATION RULES

By Ron D. Katznelson, Ph.D.

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TABLE OF EXHIBITS

Exhibits 1-9 Listed in the *Amicus Curiae* Memorandum, to which this report is appended.

Exhibit 10 March 22, 2007, USPTO e-mail from Gregory Morse to Robert Bahr, Claims over 5/25 (A05023-A5027).

Exhibit 11 February 7, 2007, USPTO e-mail from Gregory Morse, Claims in CONs, CIPs, issues in 2006, (A04993 - A04995).

Exhibit 12 USPTO Information Collection Request filings at OMB, control # 0651-0031, related to the New Rules as included in ICR No. 200707-0651-005. Retrieved from OMB's site at http://www.reginfo.gov/public/do/PRAICList?ref_nbr=200707-0651-005

Exhibit 13 March 14, 2007, USPTO e-mail from Gregory Morse to John Doll, Number of 3 CON/CIP filings or 4+ CON/CIP/RCE/CPA filings, by TC as o 3/13/07 (A05022).

Exhibit 14 May 6, 2007, USPTO e-mail from Robert Bahr to John Collier, Claims by Application Family, (A08241 - A08242).

Exhibit 15 September 29, 2006, Pre-Examination Support Document for Attorney Docket No. 076376.0411, (A07484 - A07560).

Exhibit 16 September 29, 2006, Pre-Examination Support Document for Attorney Docket No. 076376.0412, (A07561 - A07609).

Exhibit 17 September 29, 2006, Pre-Examination Support Document for Attorney Docket No. 076376.0413, (A07610 - A07698).

Exhibit 18 November 21, 2006, Request For Reconsideration Of Decision On Petition To Make Special for Application No. 11/549,286, (A07703 - A07811).

Exhibit 19 May 8, 2007, e-mail from John Collier to Robert Bahr, "Bottom up analysis of ESD", (A08249 - A08250).

Exhibit 20 October 18, 2005, USPTO e-mail from Peter Toby Brown, Average Claims for Applications Filed, Allowed and Issued During a Fiscal Year and by Fiscal Year of Filing, (A04369 - A04371).

Exhibit 21 January 29, 2007, USPTO e-mail from Peter Toby Brown to Robert Bahr, Terminal Disclaimers in FY 1999-2001 Filings, (A04784 - A04785).

Exhibit 22 April 25, 2005, USPTO e-mail from Peter Toby Brown to Robert Bahr, Terminal Disclaimers by Entity (A03624 - A03625).

Exhibit 23 June 29, 2005, USPTO e-mail from Peter Toby Brown to Robert Bahr, Independent Claims Filed by Large Entities, Small Entities and All Entities, (A03770 - A03771).

Exhibit 24 June 19, 2007, USPTO e-mail from Gregory Morse to Robert Bahr, Independent and Total Claims in Application at Filing for FY 1998-2007, (A05619 - A05620).

Exhibit 25 May 15, 2007, USPTO e-mail from Peter Toby Brown to Robert Bahr, Independent and Total Claims Breakdown by Entity for U-R Applications FY 2006, (A05042 - A05052).

Exhibit 26 January 11, 2007, USPTO e-mail from Peter Toby Brown, Claims Analysis by Entity for FY 05 – FY 06, (A04757 - A04760).

Exhibit 27 USPTO, FY 2006 Filings by Tech Center and 2006 Serialized Filings with Claim Data, (A07090).

1 INTRODUCTION

This document sets forth some factual elements related to the U.S. Patent and Trademark Office's ("USPTO") new rules limiting continuations and claims[1] (the "New Rules"). This document describes the USPTO deficient economic impact analysis of the New Rules as described in the New Rules' supporting text and in a Regulatory Flexibility Act certification study. It shows that in virtually every aspect, the USPTO's analysis is fundamentally wrong and lacks support. Reference is made in certain sections to exhibits and appendices provided in this author's Amicus Curiae Memorandum and companion declaration (Exhibit 1, Declaration of Dr. Ron D. Katznelson), hereinafter called "Dr. Katznelson Decl.", to which this report is appended.

2 USPTO'S ASSERTION OF EQUIVALENCE BETWEEN THE 5/25-CLAIM LIMIT AND A 15/75-CLAIM LIMIT LACKS SUPPORT

The USPTO explained its rule limiting applications to 5 independent claims or to a total of 25 claims (the "5/25 threshold") by resorting to "analytical" methods that lack rational support. It argued that applicants would adaptively have three opportunities in a chain or family of applications to file up to 5/25 claims without having to submit an Examination Support Document ("ESD"), resulting in a total of 15 independent or 75 total claims (the "15/75 threshold").[2] The USPTO then concluded that the impact of the 5/25 limit rule after the New Rules go into effect can be predicted by counting the number of applications that were filed with more than 15/75 claims in FY 2006, a time during which applicants could not have reacted to the New Rules. In the USPTO's Regulatory Flexibility Act Study it published after the New Rules were issued, (the "RFA Study")[3], this was further explained as follows:

> "USPTO ***staff believe*** that once the final rule is adopted, applicants with more than five but less than 15 independent claims, or more than 25 but less than 75 total claims, ***will choose*** to prosecute their application in a manner that does not trigger the claims requirements. They will be able to do this under the final rule by submitting an initial application containing up to five independent claims and up to 25 total claims, and then adding a similar number of claims in each of two continuation applications (or two continuation-in-part applications, or one continuation application and one continuation-in-part application) as permitted without a petition".[4] (Emphasis added).

As a threshold matter, the New Rules do ***not*** set a limit of ***15/75 to a family of applications,*** but rather a limit of 5/25 for a single application**.** The rule would have been much less drastic had it merely set limits of 15/75 for the aggregate number of claims in a family of three applications.

While admitting that 24-30% of applications would be affected by the New Rules because they have more than 5/25 claims[5], the USPTO asserts that applicants of substantially all but a few percent of those applications affected could avoid adversity by changing their claiming practice.

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[1] **72 *Fed. Reg.* 46716**, (Aug 21, 2007).

[2] *C.f.* New Rules at 46795, col. 2.

[3] USPTO, *Certification Analysis Under The Regulatory Flexibility Act*, by ICF International, Published no earlier than August 28, 2007 at http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf. (Exhibit 2).

[4] RFA Study, note 3, at 12.

[5] Exhibit 10, at A05025, (indicating that 30% of the applications in the back-file which had no first office action exceed the 5/25 threshold). The New Rules' text (at 46788, Col. 2) indicates that only 24% of the applications filed in FY 2006 exceed the 5/25 threshold. It ignores, however, that due to the long pendency, the back-file applications being examined first, would dominate triggering possible ESD submissions for FY 2008 and FY 2009, thereby affecting approximately 30% of applications.

It asserts so based merely on "***USPTO staff's belief***" as to how ***affected*** applicants would ***adapt*** in response to the New Rules' claim limits. There is nothing in the record to substantiate or support such ***belief***. The USPTO has conducted no study, modeling or analysis of adaptive response of applicants to the New Rules. It did not derive any model scenario of claim number distributions in patent applications ***subsequent*** to the New Rules' adoption based on applicants' purported adaptive response. By necessity, however, its quantitative conclusions cited above require having such a post-rule claim distribution model. Thus, there is no basis or support for the USPTO's assertions based on its FY 2006 15/75 claim number distribution.

Consequently, in an "analysis" that directly contradicts its assertion that applicants would transfer excess claims to other applications, the USPTO assumed that such claim distribution and the number of underlying applications would somehow remain ***unchanged*** under the New Rules. The USPTO then used the ***existing*** claim distributions prior to the New Rules to derive the number of incidences that would exceed the 15/75-claim count threshold ***after adoption*** of the New Rules. The results obtained that way grossly underestimate the adverse effect of the New Rules.

Stated in another way, according to USPTO's data on claim distribution in applications, some 2.5 Million claims[6] would be filed in applications during FY 2008 in excess of the 5/25 threshold if the New Rules were not in effect. According to USPTO's assertion, under its New Rules, applicants would somehow transfer these excess claims to subsequent continuation applications. Because such subsequent continuation applications could not contain more than 25 claims each, the excess claims would have to be distributed across at least 100,000 (2,500,000/25) ***new*** continuation applications every year, nearly doubling the number of continuations filed annually. This outcome clearly contradicts the outcome stated and planned by the USPTO. The Administrative Record does not permit a resolution of this contradiction because the USPTO failed to supply any post-rule model including the estimated number of claims that would be cancelled and never filed for want of compliance with the New Rules, or the number of additional continuation applications required to salvage other claims in excess of 5/25. In this regard, the USPTO also neglected to assess the private value of cancelled claims that would be lost by applicants every year. Other contradictions indicating that the USPTO's 15/75 "claim transfer" proposition lacked reasoned consideration are abundant, as shown below:

First, by suggesting the "solution" of excess claim transfer to a subsequent continuation to avoid having to file an ESD, the USPTO ignored its own rule that would prevent applicants from actually doing so in any reasonable period of time so as to provide patent protection for their new products. This is because §1.75(b)(4) precludes the combination of more than 5/25 claims in ***any*** number of related applications due to the presumption established by §1.78(f)(2) that the claims in such applications are patently indistinct. In contrast, no requirement that claims be patently distinct exists for any number of claims filed in a single application. Thus, the USPTO suggests that applicants could engage in application bifurcation practices that it expressly sought to prevent by adopting its New Rules.[7] Alternatively, USPTO's suggestion that excess claims could be submitted (years later) in applications prosecuted serially (each at the conclusion and allowance of the preceding application) contradicts its own admission that such delay in obtaining claims would undermine patent protection.[8]

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[6] Calculations based on USPTO claim distribution data in the record (A03554-A03620), show that about 2.35 million claims per year were submitted in excess of 5/25. An estimate of 2.5 million claims for FY 2008 is obtained after applying the appropriate annual changes and growth trends.

[7] New Rules, at 46722, Col. 1, ("applicants are cautioned against intentionally filing related applications outside of this two-month window in an attempt to avoid the requirement to identify other [related] applications… This final rule provides that if multiple applications, including applications having a continuity relationship, contain patentably indistinct claims, the Office will treat the multiple applications as a single application for purposes of determining whether each of the multiple applications exceeds the [5/25-claim] threshold. This provision is to ***preclude*** an

Second, the suggestion for using continuations to "transfer" excess claims from initial applications indicates that the USPTO ignored the vast body of evidence supplied during public comments. The public comment record is replete with explanations as to the reasons and purposes of continuations and why one cannot allocate upfront specific subject matter to be claimed in such continuations.[9] As explained by the comments, continuations are typically filed years after filing the parent application and are often in response to newly discovered facts, office actions and other requirements for introduction of a number of claims that could not have been anticipated. However, the New Rules' text details many of these as circumstances under which the Office would actually ***deny*** petitions for filing a third continuation.[10]

Third, the USPTO failed to show how applicants who would ostensibly defer filing all claims in excess of 5/25 to a continuation application filed serially years later, could do so in every instance under its continuation limit of the New Rules. By deferring the filing of such claims in an initial application, applicants would forever forfeit their ability to add them after a petition for a third continuation in the application family. This is because they would be unable to truthfully show that such claims could not have been submitted previously.

Fourth, the USPTO ignores the fact that many of the applications having more than 25 total claims contain claim groups each having a large number of claims that depend from a single independent claim. Those are integral claim packages, each defined by an independent claim and cannot be "broken" into pieces across multiple applications. The USPTO failed to provide any analysis or estimates of the numbers of such claim groups and specific suggestions as to how such claim structures could be distributed among applications filed serially years apart from each other.

Finally, the USPTO knew that such "claim transfer" option does not really exist for applicants of continuations because its data show that initial applications that later become parents to subsequent continuations already have many more claims at filing than an average application.[11] USPTO's staff statement that "***applicants won't disproportionately file CONs/CIPs to get extra***

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applicant from submitting ***multiple applications*** with claims that are patentably indistinct, each with five or fewer independent claims or twenty- five or fewer total claims, for ***the purposes of avoiding the requirement to submit an examination support document*** in compliance with § 1.265"). (Emphasis added)

[8] New Rules, at 46756, Cols.1-2, ("In fiscal year 2006, the average pendency to first Office action … was much higher in certain areas (e.g., in Technology Center 2100 (computer architecture, software and information security) the average pendency to first Office action was 30.8 months, and in Technology Centers 3620 and 3690 (electronic commerce) the average pendency to first Office action was 43.9 months). … long pendency of patent applications is problematic in some industries (e.g., computer software and hardware technologies) where product life cycles are short and new improvements can quickly make the technology obsolete. … The Office has the responsibility to take appropriate action to improve efficiency, patent quality and pendency").

[9] PTO's suggestion that a CIP may be used to file excess claims which could have been filed in an initial application (but for the 5/25 limit) is counterfactual because, by definition, CIPs are filed to claim new matter that is discovered and added to the specification after the filing of the initial application.

[10] New Rules, at 46772-77, (Indicated that all the foregoing bases would be insufficient to carry the applicant's burden of showing that the argument or evidence "could not have been submitted earlier" under the New Rules).

[11] Exhibit 11, at A04993, ("Applications that later have CONs/CIPs filed from them tend to have more claims initially. This says that applicants won't disproportionately file CONs/CIPs to get extra claims if we change the rules - they're already doing that. In FY 2006, all filings averaged 20.5 claims; all cases that were the parent of a CON or CIP filed in 2006 (parent probably filed before 2006) averaged 29.0 claims").

claims if we change the rules - they're already doing that", shows that the USPTO had, but neglected to publish, evidence contradicting its "claim transfer" adaptive response assertions. As an example, the fact that applications with large number of claims are likely to be part of continuation families that also exceed the continuation limit threshold is supported by the data shown in Table **1** for the Biotechnology and Organic Chemistry technology areas.

3 FUNDUMENTALLY WRONG ANALYSIS BY THE RFA STUDY GROSSLY UNDERSTATED THE ECONOMIC IMPACT OF THE NEW RULES.

The USPTO published the RFA Study only after its New Rules had been issued. Therefore, no opportunity existed for the public to review it and comment on it. The overarching consideration of the private value of lost patent rights due to the New Rules was ignored entirely. In its Information Collection Request submission to OMB on the ESD item[12], the USPTO estimates that only 5,000 ESD submissions per year from large entities and ***none*** (**0 !**) from small entities would be filed with the USPTO. This is remarkable given that the USPTO predicts that it will receive 479,200 patent applications in FY 2008.[13] This means that the USPTO expects virtually all applicants to cancel claims in excess of 5/25 as a response to its New Rules. The USPTO provided no support for its estimate that only 5,000 ESDs would be filed per year. It only stressed that its New Rules do not put limits on the number of claims in applications[14] and that applicants would be able to file more than 5/25 claims per application if they ***consider it necessary or desirable in particular applications***.[15]

Nowhere in its rulemaking record did the USPTO establish that the consequences of its rules would be the massive cutoff of applicants' claims beyond the 5/25 claims threshold. Assume for argument's sake, that the USPTO (silently) believed that its rule would somehow foster more "focused and efficient claiming" by applicants. This belief necessarily implies that some 2.5 million claims[6] per year filed in excess of the 5/25 threshold are an ***economic private dead weight*** procured at costs of millions of dollars in prosecution and excess claim fees. The USPTO failed to meet the burden of showing what value it assigned in its economic impact analysis to those 2.5 million claims that according to the USPTO would vanish into thin air every year. Moreover, USPTO's certification with OMB that ***no*** small entity would exceed the 5/25 threshold would imply that small entity applications are disproportionately heavy in economic dead weight.

In regards to continuations, the USPTO represented to OMB, that only 1,000 petitions for filing a second RCE would be filed per year by large entity applicants and ***none*** (**0 !**) by small entities.[16] In addition, the USPTO represented to OMB, that only 1000 petitions for filing a third

[12] Exhibit 12, at 1. Examination Support Document Transmittal, PTO/SB/216. Available online at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178966

[13] *See* USPTO, FY2008 President's Budget Request, (February 2007), p. 20. at http://www.uspto.gov/web/offices/ac/comp/budg/fy08pbr.pdf

[14] New Rules at 46825, col. 3. ("The Office is ***not seeking to limit the number of claims*** in an application. Instead, the Office ***aims to improve the quality of examination***. … Thus, the changes being adopted in this final rule ***are not placing a limit*** on the number of claims.") (Emphasis added).

[15] New Rules at 46795, col. 2. ("[t]his final rule does not preclude an applicant from presenting more than five independent claims or more than twenty-five total claims. Rather, an applicant may present more than five independent claims or more than twenty-five total claims in an application with an examination support document in compliance with § 1.265 if the applicant ***considers it necessary or desirable in the particular application.***") (Emphasis added).

[16] Exhibit 12, at 2. Petition for a second request for continued examination. Available at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178969

continuation or continuation-in-part application would be filed per year by large entity applicants and ***none*** (**0 !**) by small entities.[17] Thus, the USPTO expects only 2,000 petitions for filing continuations in excess of its New Rules' threshold, even though its own data shows that in FY 2006 there were 11,326 (2.7%) such applications.[18] Thus, the USPTO failed to account for the value of patents issued from at least 9,326 applications that would not be filed due to the continuation limit in the New Rules. The RFA Study actually compiled studies that estimate the average value of patents. Based on USPTO application grant rate, it concluded that the value per application in the 1976 – 1992 period was about $220,000.[19] Yet, the RFA Study failed to apply this value to evaluate applicants' loss of patent rights due to the New Rules. Even if one assumes the 1992-dollar loss of $220,000 per application, the USPTO failed to account for at least $2 Billion ($220,000 × 9,326) in patent value that would be lost each year due to its continuation limit alone.

3.1 The RFA Study grossly understated the number of small entities affected by the New Rules' claim limit

Invoking the USPTO unsupported assertion for the equivalence between the 5/25-claim limit in a single application and the 15/75-claims limit in a family of applications as explained in Section 2 above, the RFA Study arrives at the following result:

> "As a result, this analysis anticipates that the claims requirements, if they had been applied to applications during FY 2006, would have affected only those initial patent applications having more than 15 independent claims or more than 75 total claims. Based on analysis of PALM data on total claims in initial patent applications, approximately 1,105 filings, or 1.0 percent, submitted by small entities and 3,742 filings, or 0.9 percent, submitted by all entities in FY 2006 would incur costs under the claims requirements.[20]

This conclusion is incrementally erroneous over the previously discussed baseless assertion of the 15/75-Claims limit equivalence to 5/25-Claims limit in that it applies the 15/75 threshold to a ***single*** application. This ignores the simple fact that the distribution of the composite claim numbers made up of the ***sum*** of claim numbers from ***three different applications*** within the ensemble exceed the 15/75-Claim limit in ***many more instances*** than those found to exceed this limit in a single application. Thus, the finding that only 1% of applications would be affected contradicts even USPTO's own "minimal impact" (previously discredited) assertion that applications affected are those within continuation families having ***sums*** of claim numbers that exceed the 15/75 threshold.[21] Indeed, USPTO's own analysis found that the fraction of applications filed by small entities and by large entities in fiscal year 2006 that were in an application family that contained more than 15/75 claims were 6.3% and 4.4% respectively.[22] Thus, the RFA Study compounds the fundamental baseless analysis, asserting an impact on small entities that is six times smaller than that which USPTO later admitted and 24 to 30 times smaller than the true impact plainly evident from the record.

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[17] Exhibit 12, at 3. Petition for a second continuation or continuation-in-part application. Available at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178967

[18] New Rules, at 46755, Col. 1. *See also* Exhibit 13, (FY 2006 data shows that of the 11,326 applications exceeding the continuation limit rule's threshold, 3,320 were applications of small entities and 8,006 were from large entities).

[19] RFA Study, note 3, at Appendix B.

[20] RFA Study, note 3, at 12.

[21] New Rules at 46795, Col. 2. ("Only about five percent of the applications filed in fiscal year 2006 were in an application family that contained more than fifteen independent claims or more than seventy-five total claims").

[22] Exhibit 14, at A08242, (claims by application family spreadsheet shows that of the 94,613 applications filed by small entities, 5,948 (6.3%) were in families with more than 15/75 claims and that of the 232,461 applications filed by large entities, 10,239 (4.4%) were in families with more than 15/75 claims).

3.2 The RFA Study failed to identify fundamental factors that govern the costs of preparing the ESD and grossly underestimated these costs

Section 4.1 of the RFA Study purports to derive small entities' costs for preparing an ESD for applications having more than 5/25 claims. As shown below, the RFA Study overlooked major drivers for these costs including the number of prior art references and the per-claim costs of the patentability search. Moreover, the Administrative Record reveals that rather than being objective, the authors were guided by an attempt to minimize estimated unit costs and the estimated burdens their study would project. Despite the fact that an ESD would be prepared only for applications having more than 5/25 claims - the top end of the complexity scale, the authors were provided with samples of examination support briefs for the bottom end of that scale in order to formulate their estimated burden metrics.

The sample examination support briefs that USPTO supplied as representative of ESDs for the RFA Study were:

(a) Briefs filed in an Accelerated Examination proceeding for ink cartridge (mechanical) patents with low complexity.[23] The first application in the ink cartridge group had 3 independent claims with a total of 10 claims (3/10 claims); the second application contained 1/9 claims and the third had 1/4 claims. These briefs analyzed these respective claims against only 3 to 5 references each;

(b) Petition to Make Special for a patent application for a low complexity furnace.[24] It analyzed only 2/17 claims against 12 references.

In contrast, the ESD required under the New Rules requires an analysis of ***no less*** than 5/25 claims. Moreover, the number of cited references in patents has been shown to positively correlate with the number of claims[25] and therefore applications subject to the ESD rule necessarily have more references cited on average. More troubling is the fact that even from this downward biased sample of examination support briefs, the RFA Study's authors specifically chose to model their ESD burdens based on the ***smallest*** of these sample briefs (which they call the "***most efficient***") while assuming aggressively small unit cost burdens.[26]

Nowhere in the RFA Study could one find mention of the number of references cited as a determining factor for the ESD costs. The RFA Study ignored the fact that elements which it identified as Elements 2, 3 and 4 must be performed for every reference cited in the ESD. Small entity applications would be disproportionately adversely affected because small entity patentees cite more references in their patents than large entities[27], a fact corroborated by a small entity

[23] Exhibit 15, Exhibit 16, and Exhibit 17.

[24] Exhibit 18.

[25] J.O. Lanjouw and M. Schankerman, Patent Quality And Research Productivity: Measuring Innovation With Multiple Indicators, *The Economic Journal*, **114**, pp. 441–465, (April, 2004) (see Table 1).

[26] Exhibit 19, at A08250, (Commenting on a draft for the RFA analysis, Mr. Collier stated: "Now we'd like to get your opinion of the unit cost factors we've come up with, which we developed based on our own judgment after reviewing the "***most efficient***" of the sample ESDs you provided. … "As you can see, the costs add up quickly, even though the ***unit costs don't seem generous***"). (Emphasis added).

[27] J.R. Allison and M.A. Lemley, Who's Patenting What? An Empirical Exploration of Patent Prosecution, *Vanderbilt Law Review*, **53**, p. 2099, (2000) (reporting on a sample of patents applied for in the early 1990's and issued in 1996-1998 in Table 31 "Prior Art References by Entity Size". At that time, small business patentees cited 18.03 while large entity patentees cited an average of 14.31 references, yielding a ratio of about 1.26).

patenting study commissioned by SBA Advocacy.[28]

The time spent on cost Elements 2 through 4 of the RFA Study is proportional to the product of the number of claims ***times the number of references*** for which the required analysis is directed. A further compounding of costs is due to the fact the number of references in an average application grows with the number of claims, as stated above. Therefore, if the number of references is not made an explicit input variable, to first order of estimation, these cost elements fully accounted would necessarily increase ***quadraticlly*** with the number of claims and ***not linearly***, as the RFA Study suggests. The RFA Study derived a total cost result purported to be an explicit function of the number of claims and their mix, absorbing all factors that might implicitly depend on such claim counts[29]. This permits a simple sensitivity analysis that confirms the absurdity of its results: The high end cost figure of $13,121 shown in Exhibit 4-2[30] is actually the RFA Study's cost estimate for an ESD with ***50 independent claims and 300 dependent claims*** and ***not*** that of a ***typical complex*** application, as some might be misled to believe. This is a remarkable result for an application with 350 total claims.

The RFA Study also failed to account for patentability search report costs' dependence on the number of claims, further contributing to its gross cost underestimation. Without any support, the RFA Study made the factual *ipse dixit* assertion that such costs are application based, independent of the number of claims.[31] However, ESD compliance with §1.265 would require that elements of ***all*** claims be analyzed against the prior art. Therefore, relevant prior art must be found by multiple searches incorporating search queries comprising elements from ***each*** claim. The search time and the number of hits that must be processed and analyzed are therefore an increasing function of the number of claims in the applications. Indeed, a recent survey attached hereto contains price quotes for patentability search reports showing that prices quoted included per-claim cost components.[32] The RFA Study's results contending that patentability search costs for an application having 350 claims is identical to that for an application with 25 claims is simply absurd.

Stating that it relied on "AIPLA cost estimates", the RFA Study asserted: "the cost of a patent search ranges from approximately $1,000 for a relatively simple patent application up to approximately $2,500 for a relatively complex patent application". This statement grossly misrepresented the AIPLA data, biasing downward the cost estimates.[33] Moreover, AIPLA cost data were based on existing requirements and not on those required to comply with §1.265.

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[28] SBA Advocacy, *Small Serial Innovators: The Small Firm Contribution To Technical Change,* by CHI Research, Inc. Haddon Heights, NJ, (February 27, 2003), at 20, available at http://www.sba.gov/advo/research/rs225tot.pdf, hereinafter referred to as "SBA Patenting Study", ("Small firm patents contain longer lists of references to prior patents. An index of patent reference list length … takes the value of 1.81 for the small firm patents and 1.18 for the large firm patents". The study covered patents issued in 1996-2000. The ratio for this later study is therefore 1.53).

[29] RFA Study, note 3, at 18, footnote to Exhibit 4-2. ("[T]he analysis does not assume a range of costs per application, but instead applies the specific cost appropriate to the number of claims in each application").

[30] RFA Study, note 3, at 18, Exhibit 4-2.

[31] RFA Study, note 3, at 18.

[32] *See* Dr. Katznelson Decl. at Appendix A. (The patentability search report prices quoted a base price plus a cost per claim. The average per-claim search cost quote was $250).

[33] From the first two entries in Appendix A of the RFA Study, it is evident that the AIPLA data was misrepresented in two ways: (a) The 25 and 75 percentile values in the spread of survey respondents' answers to the AIPLA survey question *Q39o* was due to the variability ***across respondents*** of the amount they each charged for ***a typical*** application. Without any support or rationale for choosing these percentile points, the RFA Study erroneously attributed the percentile values to variability of application ***complexity*** when in fact complexity was not even addressed by question *Q39o.* (b) From the average response value of $2,999 (in 2004 dollars) for *Q39o*, an ***average*** cost for a ***typical*** application in 2007 dollars is approximately $3,300.

Under existing requirements, typical patentability reports do not address all the claims that are ultimately filed in the application because they are written earlier to assist in writing the application and the claims. Alternatively, patentability reports for issued patents necessarily address fewer claims, because the average number of claims in issued patents is but a fraction of the average number of claims filed in applications.[34] Hence, the AIPLA data only provides an ***average*** cost for a ***typical*** application (approximately $3,300 in 2007 dollars) and it corresponds to narrower scope requirements. An ESD, however, is to be prepared under more expansive scope requirements for ***atypical*** applications, at the top of the complexity scale, meaning that the AIPLA data can at best serve as a distant lower bound.

In conclusion, the RFA Study failed to properly account for the cost elements of preparing an ESD. An example of a rather conservative estimation of such costs are provided by this author in a submission to OMB (Dr. Katznelson Decl., at Appendix D, Section 1.3). It is calculated that the cost for preparing an ***average*** ESD is $26,720 and $20,600 for large and small entities respectively (Appendix D, Tables 1,2). The top 20 percentile costs for applications would likely be substantially higher than that.

3.3 The RFA Study's method of annualizing ESD costs is fundamentally flawed because it assumes that small entities file only one patent application per 20 years.

The RFA Study's authors chose to evaluate the economic impact of the New Rules on small entities by annualizing the incremental cost associated with an application compliant with the New Rules over a period of 20 years.[35] In doing so, the RFA Study scaled down its estimate of the financial impact associated with filing ***a single*** application by a factor of 20, necessarily assuming that small entities apply for a patent ***only once in a span of twenty years***. However, small entities that obtain patents file applications much more frequently than that. Here again, the RFA Study failed to recognize or use a major variable of the problem (applications filed per year - or application filing rate) that is ***essential*** for a determination of the economic impact of the New Rules. Clearly, on this ground alone, its calculations are therefore nonsensical.

A study commissioned by SBA Advocacy found that small patenting firms received an average of 0.42 patents per employee during the years 1996-2000.[36] Given that the average small entity employed 10 employees[37], this corresponds to an average of 4.2 patents issued over this five-year period. During this period, an average of only 70% of patent applications were allowed[38], yielding the result that small patenting firms filed an average of 1.2 (4.2 / 5 /0.7) patent applications per year. This ***average*** filing rate is 24 times grater than that used implicitly by the RFA Study. Although more information is required on small entities' revenue distribution, the USPTO has access to detailed information on application filing rate distributions for small patenting entities and in particular on the filing rates of the top 20%[39] small entity frequent filers. The RFA Study could have used such information to obtain some meaningful bounds on the economic impacts of the New Rules but failed to do so.

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[34] Exhibit 20, at A0437, (Showing, for example, that in FY 2004, the average number of claims filed in applications was 23.66 while patent issued from such applications had an average of only 15.65 claims).
[35] RFA Study, note 3, at 21-22.
[36] SBA Patenting Study, note 28, at 12.
[37] SBA Advocacy, *The Small Business Economy: A Report to the President*. (December 2006), at 8, available at http://www.sba.gov/advo/research/sb_econ2006.pdf.
[38] Ron D. Katznelson, Bad Science in Search of "Bad" Patents, *Federal Circuit Bar Journal*, **17**(1), pp.1-30, 23 (2007), available at http://ssrn.com/abstract=1007629, (showing the USPTO output allowance rate in Figure 2).
[39] RFA Study, note 3, at 24, (20% is USPTO's threshold criterion for a "substantial number" of small entities).

3.4 The RFA Study ignored the economic burdens of rebutting the presumption of patently indistinct claims

In §1.78(f) of the New Rules, the USPTO established new burdens on applicants based on a newly created presumption of patently indistinct claims in related patent applications. Instead of the examiner having to identify a double patenting situation, determining if double patenting exists, and making double patenting rejections, the applicant must take on sweeping burdens. The applicant must timely identify other pending applications or patents that have the criteria defined in §1.78(f)(1), and the applicant must timely rebut a presumption that patentably indistinct claims are present when criteria defined in §1.78(f)(2)(i)(A-D), ("Family Criteria"), exist, or file a Terminal Disclaimer ("TD"), explain why separate applications are needed, and have claims in the separate applications in compliance with the combined 5/25-Claim limits.

The USPTO created a "presumption" that is overwhelmingly counterfactual. Only about 5% of applications are in cases having a TD[40] and yet applicants of 95% of all applications would be required to rebut a negative presumption. No such requirement exists under the current rules and the RFA Study ignored this ***new*** rebuttal requirement entirely. At the end of Section 4.3, the RFA Study asserts that

> "This final rule would not generate incremental costs in this situation because 37 CFR 1.78(b) currently provides that applicants ***can be required*** to eliminate patentably indistinct claims from all but one application and the double patenting doctrine requires a terminal disclaimer if the patentably indistinct claims are not eliminated from all but one application." (Emphasis added).

This conclusion is patently wrong because under the current rules, the mere possibility that the examiner ***may require*** an applicant (in 5% of cases) to address double patenting issues does not mean that applicants have affirmative duty to take any action and write detailed briefs in all other instances. Not so under the New Rules, which state as follows:

> §1.78(f)(2)(i): "A rebuttable presumption ***shall exist*** that a nonprovisional application contains ***at least one claim*** that is not patentably distinct from ***at least one of the claims*** in another pending or patented nonprovisional application if the following conditions are met:…" (Emphasis added).

> §1.78(f)(2)(ii): "If the conditions specified in paragraph (f)(2)(i) of this section exist, the applicant in the nonprovisional application must, unless the nonprovisional application has been allowed (§ 1.311), take one of the following actions within the time period specified in paragraph (f)(2)(iii) of this section: (A) Rebut this presumption by explaining how the application contains ***only claims that are patentably distinct*** from the claims ***in each of such other*** pending nonprovisional applications or patents; or (B) Submit a terminal disclaimer in accordance with § 1.321(c). In addition, where one or more other pending nonprovisional applications have been identified, the applicant must explain why there are two or more pending nonprovisional applications naming at least one inventor in common and owned by the same person, or subject to an obligation of assignment to the same person, which contain patentably indistinct claims". (Emphasis added).

Under the New Rules, applicants cannot "internalize" their determination that the presumption is incorrect in their case. They must take action, no matter what. A full rebuttal of the presumption that ***at least one claim*** is patentably-indistinct from ***at least one of the claims*** in another pending or patented application requires an exhaustive rebuttal for ***every possible*** claim pairing from each application. There is simply no other shorter way to remove the "at least one claim" presumption. Because dependent claims are distinguished from the independent claims they depend from, a rebuttal cannot be limited to independent claims alone. Thus, if an application containing *n* claims is compared with a prior application having *m* claims, the applicant must write and submit $n \times m$ rebuttal analyses. Each such rebuttal analysis must be supported by a comparison of all features in both claims. A mere unsupported (and short) assertion of applicants' belief would not meet the rebuttal burden.[41] Alternatively, in the few cases where an explanation of why claims ***are*** patently-indistinct, applicants must expend legal resources to write these explanations in a manner that is least prejudicial to their claims. Thus, a carefully reasoned written response would be required in essentially all cases that meet the Family Criteria.

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[40] Exhibit 21, at A04785, (showing that historically only 5.5%-5.7% of applications are ultimately subject to Terminal Disclaimers); Exhibit 22, at A03625, (showing that in FY 2004 only 3,844 applications from small entities had Terminal Disclaimers therein. This is only 4.2% of the 92,597 applications filed by small entities in FY 2004 (see Exhibit 23, at A03771 for the total number of applications in FY 2004)).

3.4.1 Estimate of the economic burdens of New Rule 78(f) on small entities

A lower bound estimate of the number of applications that meet the Family Criteria and would be affected by this rule can be obtained by counting continuation applications in application families claiming the same priority date[42]. Because continuation applications have the same disclosure as that of the parent and have a common inventor and ownership, they all meet the other Family Criteria.

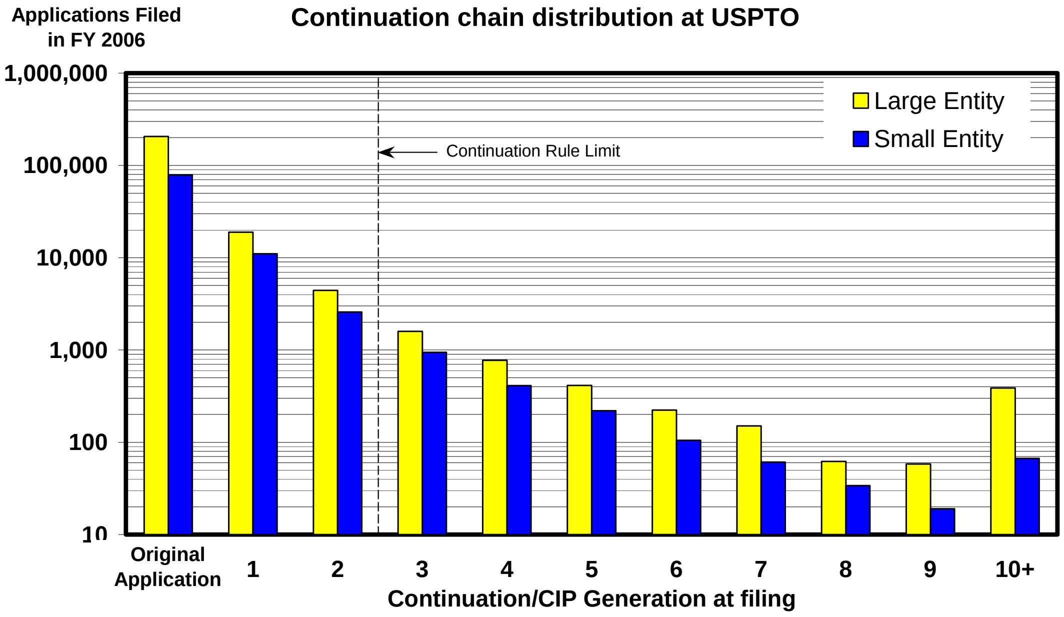

Figure 1. Distribution of continuation sequence at filing. *Source*: Exhibit 14, at A08242.

The distribution of the continuation generation number at filing is shown in Figure 1. Upon filing, a continuation application may have any number of parents ahead of it in the continuation chain. A rebuttal comparison for that application must be made with every one of the ***preceding*** applications in the chain. The first continuation must be compared only to the original application. Upon filing of a fifth continuation, for example, a comparison with five other applications (the 4th, 3rd, 2nd, 1st and the original parent application) must be made. By using

[41] New Rules, at 46780, ("Merely explaining that some of the claims are patentably distinct would not be sufficient to rebut this presumption").
[42] This lower bound does not include all possibilities related to divisional applications.

USPTO data on applications filed in FY 2006 and their respective application family size upon filing[43], one finds that the 94,613 applications filed by small entities would have required 23,964 pairwise rebuttal comparisons.[44] In other words, averaging over all applications and not just continuations, a small entity application would require an average of at least 0.25 (23,964/94,613) rebuttal comparisons. This estimate does not take into account all cases that involve filing of divisional applications or continuations based on divisions.

Crafting a reasoned written response distinguishing claims with adequate support may take more than half an hour in some long claim pair cases. In many other claim situations this might take only a couple of minutes. In ***all*** cases, however, some reasoned analysis and argument must be written and a conclusion drawn. Therefore, an average of 0.1 hours (6 minutes) per written rebuttal comparison is assumed. Assuming now that on average, 20 claims per application would be analyzed[45], resulting in 400 (20×20) rebuttal comparisons, one obtains an average burden of 10 ($400 \times 0.1 \times 0.25$) hours per small entity application. According to the economic survey of the AIPLA, the national average billing rate of a patent attorney in 2006 was $332 per hour.[46] This corresponds to about $350 in 2008 dollars, the first year the New Rules would apply. Hence, the estimated average recurring cost burden placed on small entities would be about $3,500 per application. Because the average small patenting entity files 1.2 applications per year[47], this would extend to an average annual expense of $4,200. While these estimates are somewhat coarse, they are directed to an average small patenting entity. There can be very little doubt that small patenting entities at the top 20 percentile of such cost distribution would incur annual costs that are significantly higher than $4,200 due to Rule §1.78(f) alone.

Not included in the above calculation is the recurring and punitive "tax" imposed by Rule §1.78(f) on any added claim during the prosecution of a family of related applications. The ownership, inventorship, and subject matter and filing dates of such applications would almost inevitably trigger the presumption of patentably indistinct claims. Whenever any new claim is added to one of these applications, it must be accompanied by a rebuttal brief with respect to every other claim in the application family, including those filed subsequently. A sense of the true burdens of Rule §1.78(f) was evident from a former USPTO official's statement that "***many applicants will have to expend a lot of time and resources to timely comply with the "identification" and "rebut or TD" requirements*** **[of Rule §1.78(f)]**".[48]

The annual recurring costs estimated above are not the only costs that Rule §1.78(f) would impose. Due to its retroactivity, for all pending applications in the USPTO back-file (whether a first office action was entered or not), applicants must comply with the requirements in §§1.78(f)(1-2) by February 1, 2008.[49] Given that USPTO back-file average pendency is about 32 months, a small patenting entity filing 1.2 applications per year on average has about 3.2 applications in the back-file. This means that under Rule §1.78(f), small patenting entities will have an additional one-time large expense averaging at least $11,200 ($3,500 × 3.2) before February 1, 2008. The top 20% small entity applicants would no doubt have much higher costs.

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[43] Exhibit 14, at A08242, (The claims by application family spreadsheet for FY 2006 shows a total of 94,613 applications filed by small entities, and 232,461 applications filed by large entities).

[44] Upon filing an application that is of generation *j* in the continuation family chain, there must be *j* pairwise comparisons to prior parent applications made in the accompanying brief. Based on the USPTO data up to the 10th continuation generation, the total number of new application comparisons in the year are therefore given by $\sum_{j=1}^{10} jA(j)$, wherein *A*(*j*) is the number of continuation applications filed during the year that are of generation *j* in their respective family.

[45] This represents a reasonable blend of the larger average number of claims in applications and the number of claims in issued patents that might be in the continuation chain.

[46] *AIPLA Report of the Economic Survey 2007*. American Intellectual Property Law Association, Arlington, VA. (July 2007) (Page I-5, Table for Q27, Q28, Q29, Q31).

[47] See the derivation of this estimate in Section 3.3 above.

[48] Robert J. Spar, *Final USPTO Rule on Claims and Continuations - Overview of Major Issues and Concerns*, presentation at the San Diego Intellectual Property Law Association, (October 11, 2007), at Slide 17. at http://www.sdipla.com/resources/ccfrhighpointsv8.ppt .

It is important to recognize that virtually none of these expenses are currently borne by the USPTO when it makes its double-patenting rejections. Rule §1.78(f) does not shift USPTO burdens to applicants. Rather, it merely creates new burdens based on unprecedented presumption that is at best correct only in 4% of small entities' applications. Moreover, the burdens are disproportionately heavier on applications further down the continuation chain, requiring comparison with all its ancestor applications and patents. Yet, the RFA Study asserted without any basis that these incremental costs are zero. By not considering these costs, the USPTO entirely failed to consider an important aspect of its New Rules.

3.5 The USPTO failed to analyze or consider other important aspects of the problem

3.5.1 The rapid rise of the fraction of applications that would be affected by the New Rules

The claim limit in the New Rules is based on a ***fixed*** threshold of 5 independent or 25 total claims. While having detailed evidence showing that the average number of claims in applications is increasing over time[50], the USPTO ignored the fact that this means that, over time, ***a growing*** fraction of applicants who seek adequate protection of their inventions would need to file claims that would necessarily cross the fixed claim number threshold. The USPTO failed to assess the rapidity with which the New Rules would therefore affect a growing fraction of applicants.

As seen in Figure 2, applicants' propensity for obtaining an increased number of claims is not unique to applications filed in the USPTO. These trends are seen for patent applications filed across the world and in particular, at the European Patent Office ("EPO") and the Japanese Patent Office ("JPO"). Researchers have suggested several economic and legal reasons for this gradual rise. The number of claims in patents was shown to correlate with the degree of technological efforts.[51] Multivariate regression studies recently identified several factors causing the growth in the number of claims in patent applications.[52] The first is the growing contributions of emerging technology sectors (namely biotechnology, computer science, and media technologies) as opposed to more traditional areas such as industrial chemistry, polymers, vehicles, or civil engineering. Another factor is the growing complexity of inventions including the research process leading to it. Yet another significant regional factor identified was the evolving practices such as submission of multiple narrower claims due to legal needs to address the eroding doctrine of equivalence and the case law on prosecution history estoppel while maintaining sufficient likelihood of infringement findings. These factors were among those widely referred to in the comments submitted to the USPTO in the proceedings leading to the New Rules.[53]

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[49] New Rules, at 46717, Col. 1.

[50] Exhibit 24, at A05620; *See also* Exhibit 20.

[51] X. Tong and J. D. Frame, Measuring national technological performance with patent claims data, *Research Policy* **23**(2), pp. 133-141, (March 1994) (Examined the relationship between technology, science, and economic variables against attributes of patents by nationality of inventors and found that the number of patent claims is an improved predictor of technological effort among nations).

[52] N. van Zeebroeck, B. van Pottelsberghe and D. Guellec, Claiming more: the increased voluminosity of patent applications and its determinants, CEB Working Paper 06-018 and CEPR Discussion Paper 5971. (March 2007), available at http://www.solvay.edu/EN/Research/Bernheim/documents/WP06-018NvZBvP2.pdf.

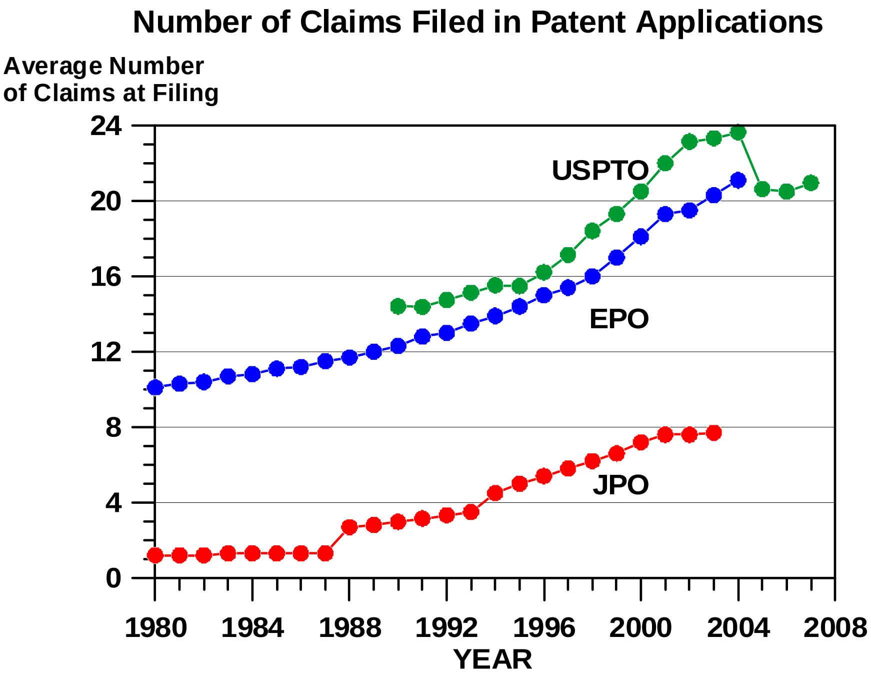

Figure 2. The average number of claims filed in patent applications by filing year at the USPTO, EPO and JPO. *Sources*: For USPTO data see note 50. All EPO data and the JPO data for 1995-2003 were reported in an EPO report[54]; Data for additional years in the JPO were obtained from the Tokyo Institute of Intellectual Property[55]**.**

In regards to the factors mentioned above and in connection with the acceleration of claim obsolescence due to shortening product lifecycles, it has been suggested by researchers that the increases in the number of claims and continuations is reflective of applicants' adaptation in order to appropriate equivalent returns from their inventions.[56] [57] Indeed, evidence of progressive patent claim scope erosion over the last few decades[58] suggests that increases in the number of claims are simply a manifestation of applicants' lawful efforts to adequately protect their inventions in changing technological, economic and legal environments.

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[53] *C.f.* Final Rule, at 46788, Col. 1 (Comment 166).

[54] EPO, *The increased voluminosity of patent applications received by the EPO and its impact on the European Patent System*. Report CA/73/05, (May 30, 2005) at http://ac.european-patent-office.org/strategy_debate/documentation/pdf/ec05073.pdf .

[55] A. Goto and K. Motohashi, Construction of Japanese Patent Database for Research on Japanese patenting activities, *Institute of Intellectual Property*, Tokyo, Japan (2006) at http://www.iip.or.jp/e/patentdb/paper.pdf. (The grand average was estimated by using the technology sector data of Figure 5 weighted by the number of applications for each technology sector shown in Figure 2).

[56] R.C. Dreyfuss, Pathological Patenting: The PTO As Cause Or Cure, *Michigan Law Review*, **104**(6), pp. 1559-1578, 1565, (May 2006) ("The accelerating pace of change means that products and processes become obsolete more quickly. As a result, patent holders sometimes need wider protection — or more patents — to appropriate equivalent returns from their inventions".)

[57] R.D. Katznelson, Patent Continuations, Product Lifecycle Contraction and the Patent Scope Erosion – A New Insight Into Patenting Trends, *Southern California Law Associations Intellectual Property Spring Seminar*, Laguna Niguel, CA, (June 8 - 10, 2007), available at http://ssrn.com/abstract=1001508 , (See Section 4.2).

[58] Katznelson (2007), note 57, at Section 4.3 and Figure 6.

In estimating the rapidity with which the fraction of applications affected by the claims limit in the New Rules would be rising, the following is noted. Regression trend analysis of the USPTO data shown in Figure 2 over the period since 1990 (excluding the transient retreat in FY 2005 due to claim fee increases by a factor of 2.5) shows that the growth in the average number of total claims in applications is well described by an exponential growth of 4.2% per year on average. Assuming a similar proportional scaling of the claims distribution in applications, this increase in the number of claims is equivalent to a 4.2% reduction in the ***effective*** claim threshold, if one were to use a stationary claim distribution.

The marginal probability (or frequency) distributions of the number of claims in applications based on USPTO data[59] are shown in Figure 3. Examination of the total claim data in the neighborhood of 25 reveals that the number of applications affected increases by about 9% per effective threshold reduction by one claim (1/25 = 4% fractional change). Since the ***effective*** claim threshold would creep down by 4.2% per year, the relative number of affected applications would nominally grow by 9.5% ($9 \times 4.2/4$) per year. Thus, with this annual growth rate, it is estimated that ***the fraction of affected applications would double every 7.6 years***.

The number of continuation applications filed in a year has been growing more rapidly than the growth in initial application filings. It has been shown that the number of such applications grow at the same rate as that of new product introductions, doubling every 6.5 years.[60] Such growth trends have persisted over the last quarter of a century. Research suggests that the continuation application growth trend is related to all the factors listed above for multiplicity of claims and also a result of historical product life cycle reduction and the exponential growth in new product introductions. Accordingly, these factors necessitate new or amended patent claims in ***a growing fraction*** of inventions.[61] Thus, the requirements of the continuation limit of the New Rules would have an adverse effect on a progressively larger fraction of applicants.

The rapid burden creep of the claims limit and continuations limit in the New Rules described above is inherent in the mechanical numerical fixed limits set in the New Rules for application parameters that are rapidly growing. This indicates that the USPTO failed to consider an important aspect of the problem.

3.5.2 The disproportionate adverse impact on small entities

Generally, as Figure 3 shows, small entities rely on more patent claims than large entities. The USPTO did not adequately analyze its data to determine whether small entities are disproportionately affected. By USPTO's own criteria for economic impact, its claims distribution data shows that small entities are 40% more likely than large entities to be impacted by the claims limit in the New Rules.[62] Small entities particularly affected are those in industries requiring larger number of claims in applications, such as the Biotechnology and Pharmaceutical industries, as described below. Moreover, as discussed in Section 3.2 above, small entity applications have more references cited therein than those by large entities, disproportionately increasing their ESD costs compared to large entities. By failing to properly analyze the disproportionate adverse impact on small entities in key growth industries, the USPTO failed to consider an important aspect of the problem.

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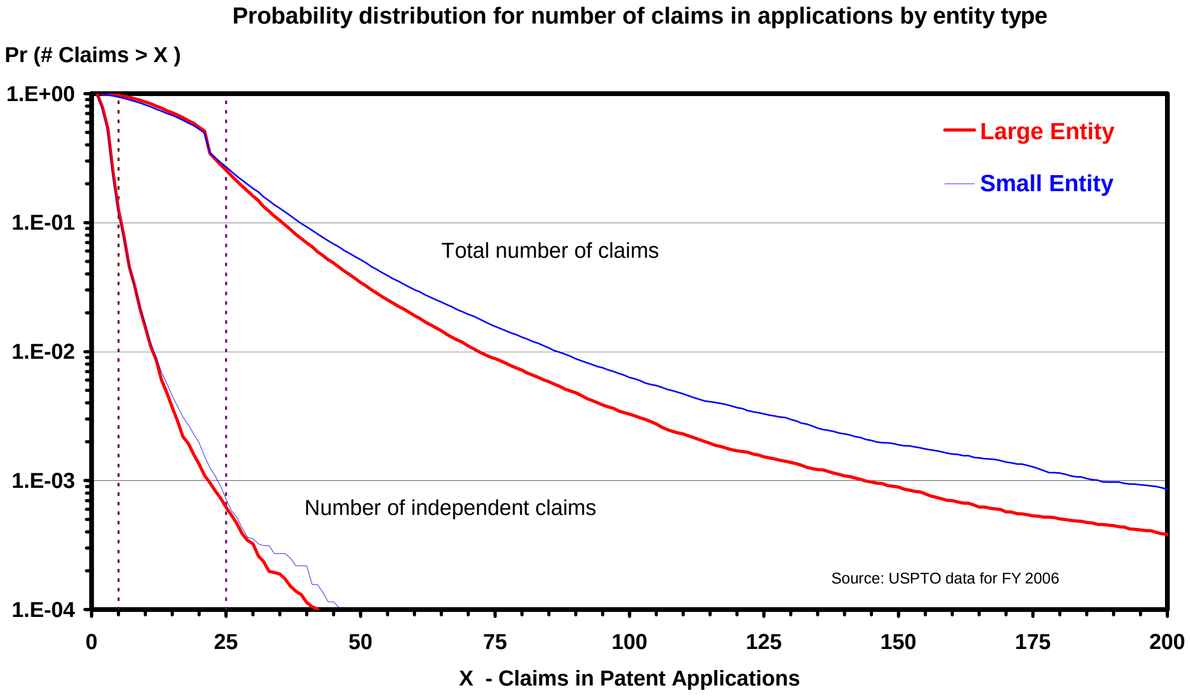
[59] Exhibit 25, at A05043-52).

[60] Katznelson (2007), note 57, at Section 4.2 and Figure 4.

[61] *Id.*

[62] Exhibit 14, at A08242, (The claims by application family spreadsheet shows that of the 94,613 applications filed by small entities, 5,948 (6.3%) were in families with more than 15/75 claims and that of the 232,461 applications filed by large entities, 10,239 (4.4%) were in families with more than 15/75 claims. Thus, by USPTO's own measure, small entities are 1.4 (6.3/4.4) times more likely to be affected).



Probability distribution for number of claims in applications by entity type
Pr (# Claims > X)
1.E+00
1.E-01
1.E-02
1.E-03
1.E-04
Large Entity
Small Entity
Total number of claims
Number of independent claims
Source: USPTO data for FY 2006
0
25
50
75
100
125
150
175
200
X - Claims in Patent Applications

Figure 3. The marginal distribution of the number of claims in UPR applications in FY 2006 for which claim information was available. It is based on a total of 237,758 applications from large entities and 95,938 from small entities. Note the higher total claim counts in small entity applications. *Source*: USPTO, note 59.

3.5.3 The disproportionate adverse impact on emerging growth industry segments

The USPTO failed to analyze its data and consider whether the New Rules would disproportionately affect applicants in certain industry segments. As shown in Figure 4 and Table **1**, applicants particularly affected are those in emerging technology industries requiring larger number of claims in applications. Top among the disproportionately affected are the Biotechnology, Organic Chemistry and Pharmaceutical industries. The impact on such industries is not only due to the increased fraction of applications subject to the ESD filing requirement, but also due to the higher ESD costs associated with a larger number of claims. As Figure 4 shows, nearly 10% of applications in the Biotechnology, Organic Chemistry areas would require ESDs that analyze more than 50 claims, twice the number of claims set in the threshold. Moreover, Table 1 shows that the disproportionate impact is further compounded for these industries, as the fraction of continuation applications affected is more than double that across all industries. By failing to properly analyze the disproportionate and concentrated adverse impact on key growth industries, the USPTO failed to consider an important aspect of the problem.

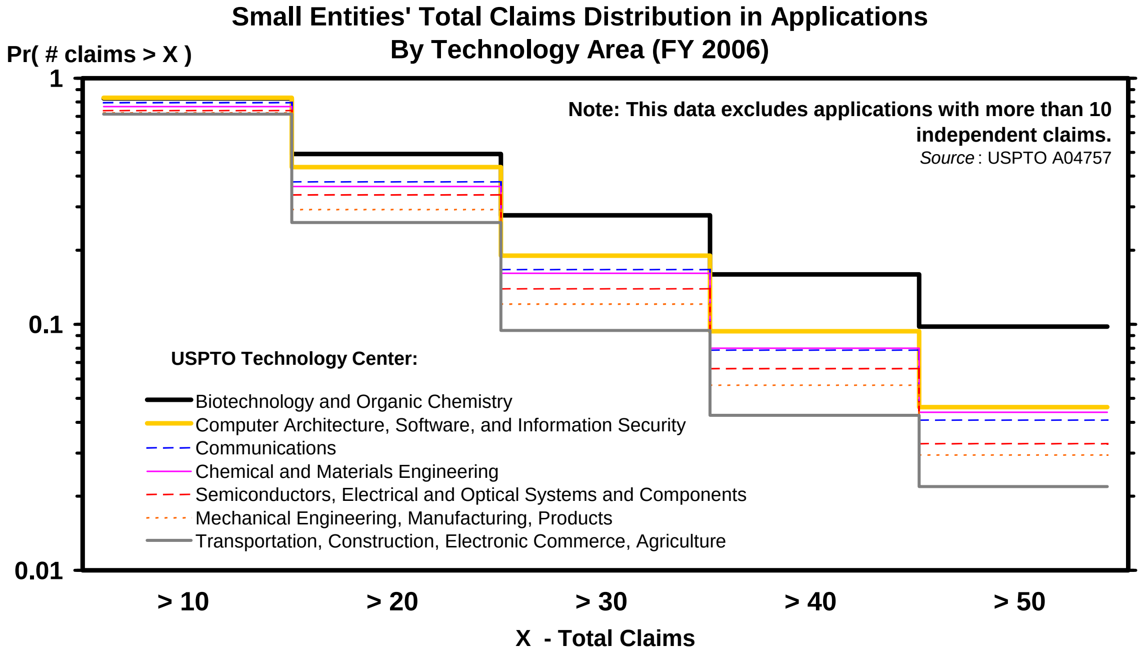

Small Entities' Total Claims Distribution in Applications
By Technology Area (FY 2006)
Pr(# claims > X)
1
0.1
0.01
Note: This data excludes applications with more than 10 independent claims.
Source : USPTO A04757
USPTO Technology Center:
Biotechnology and Organic Chemistry
Computer Architecture, Software, and Information Security
Communications
Chemical and Materials Engineering
Semiconductors, Electrical and Optical Systems and Components
Mechanical Engineering, Manufacturing, Products
Transportation, Construction, Electronic Commerce, Agriculture
> 10
> 20
> 30
> 40
> 50
X - Total Claims

Figure 4. Small entities' total claims distribution by technology center for applications in FY 2006. This chart is based on all but the 1.1% of applications with more than 10 independent claims. *Source*: Exhibit 26 at A04760.

USPTO Technology Center	Technology Area	% of Applications Affected	
		Claims Rule	Continuation Rule
1600	Biotechnology and Organic Chemistry	40%	5.6%
1700	Chemical and Materials Engineering	24%	2.1%
2100	Computer Architecture, Software, and Information Security	29%	2.9%
2600	Communications	26%	2.1%
2800	Semiconductors, Electrical and Optical Systems and Components	19%	2.0%
3600	Transportation, Construction, Electronic Commerce, Agriculture	18%	2.2%
3700	Mechanical Engineering, Manufacturing, Products	21%	3.2%
All UPR	All Areas	24%	2.7%

Table 1. Fractions of applications affected by the 5/25 claims limit and the continuations limit in the New Rules. Data is based on FY 2006 applications from both small and large entities. *Source*: Exhibit 27, at A07090.

3.5.4 The disproportionate adverse impact on domestic inventors

The USPTO failed to analyze its application data and consider whether the New Rules would disproportionately affect U.S. based inventors. U.S. Patents obtained by U.S. inventors have historically contained more claims than U.S. patents obtained by foreign inventors.[51] Based on data presented by this author elsewhere[63], U.S. patent applications filed by U.S. inventors contained an average of 75% more claims per application as compared to U.S. patent applications filed by Japanese inventors and 43% more claims than U.S. patent applications filed by European inventors. With such disproportionate claim averages, it is virtually certain that the claims limit in the New Rules would affect a significantly larger fraction of domestic inventors

[63] Dr. Katznelson Decl., Appendix C, available at http://www.whitehouse.gov/omb/oira/0651/comments/460.pdf , at 23, (June 29, 2007) (Figure 6 shows that the average number of claims filed by North American (primarily U.S.) inventors in FY 2004 was approximately 28 whereas applications filed by European and Japanese inventors had an average of 19.5 and 16 claims respectively).

as compared to foreign inventors. Moreover, domestic inventors who would file ESDs would be incurring significantly higher expenses on such ESDs as compared to foreign inventors. By failing to analyze and consider the disproportionate adverse impact on domestic inventors and the negative implications to U.S. competitiveness, the USPTO failed to consider an important aspect of the problem.

4 CONCLUSION

From the previous sections, it is clear that in essentially every category, the RFA Study understated the economic impact of the New Rules. Based on the USPTO's own criterion for significant economic impact and small entity revenue, the foregoing sections show that:

(a) The 5/25-Claim Limit rule would have a significant economic impact on a substantial number of small patenting entities.
(b) The requirement to identify and rebut a presumption of patently-indistinct claims will have a significant economic impact on a substantial number of small patenting entities.

This report shows that the USPTO provided highly defective economic impact analysis in its RFA Study.

Appendix C USPTO Internal Memos.

Bahr, Robert

From: Morse, Gregory
Sent: Thursday, March 22, 2007 12:34 PM
To: Bahr, Robert
Subject: Re:

Before you say that, let me check how many are in the early stages of processing. Ninety pct of cases that get through OIPE have claim data.

----- Original Message -----
From: Bahr, Robert
To: Morse, Gregory
Sent: Thu Mar 22 12:31:09 2007
Subject: RE:

WRT--

4. The number of applications in the backlog (as some date) and the number of applications in the backlog that contain (??) more than 5/25

As of 2/28/07, 708,321 UPR cases in the backlog. 29% of the non-small entity cases were over 5 or 25, and 30% of the small entity cases were over 5 and 25. Only about 95% have claims data, so misleading to give a raw number. In addition some cases other than the 95% have not yet been processed enough to determine large/small entity or claims.

Any objection to me saying--

Of the applications currently awaiting examination for which claims data is available in PALM (which is over ninety percent of such applications), about thirty percent contain more than five independent claims or more than twenty-five total claims.

-----Original Message-----
From: Morse, Gregory
Sent: Wednesday, March 21, 2007 5:03 PM
To: Bahr, Robert
Subject:

Let me know what else you need - I still need to get you issued claims over 5/25.

Bahr, Robert

From: Morse, Gregory
Sent: Thursday, March 15, 2007 2:12 PM
To: Bahr, Robert
Subject: FW: Numbers

3320 Small entity; 8006 non-small entity

-----Original Message-----
From: Morse, Gregory
Sent: Wednesday, March 14, 2007 3:43 PM
To: Doll, John
Cc: Love, John; Focarino, Margaret (Peggy); Fleisher, Mindy; Bahr, Robert; Mielcarek, John
Subject: RE: Numbers

Number of 3 CON/CIP filings or 4+ CON/CIP/RCE/CPA filings, by TC, as of 3/13/07:

I apologize that these were not available when you asked.

(2006 numbers, 2006 filings 419,760 UPR, all based on analysis of PALM data)

TC	Filings	3 CON or 4+	Percent
1600	41,756	2,356	5.6%
1700	57,368	1,189	2.1%
2100	44,425	1,295	2.9%
2600	65,974	1,401	2.1%
2800	94,851	1,927	2.0%
3600	51,661	1,131	2.2%
3700	63,725	2,027	3.2%
UPR	419,760	11,326	2.7%

Of the 11326, 2621 were 3rd CON/CIP filings, and 8705 were 4+ of any combination.

In discussions with Undersecretary Dudas, we previously estimated the 8,705 as "about 8,000" and the overall number as "about 10,000".
-----Original Message-----
From: Doll, John
Sent: Monday, March 12, 2007 4:07 PM
To: Morse, Gregory
Subject: Numbers

Do we have the distribution of 3+ CONs / RCEs by TC ?!?

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BlackBerry Wireless